

# NEW MEXICO GROUP

**CB**

Body PT 1  
Filed on 09/29/2000  
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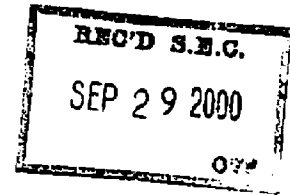
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**U.S. SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM CB**



**TENDER OFFER/RIGHTS OFFERING NOTIFICATION FORM**

Please place an X in the box(es) to designate the appropriate rule provision(s) relied upon to file this Form:

- Securities Act Rule 801 (Rights Offering) [ ]
- Securities Act Rule 802 (Exchange Offer) [ X ]
- Exchange Act Rule 13e-4(h)(8)(Issuer Tender Offer) [ ]
- Exchange Act Rule 14d-1(c) (Third Party Tender Offer) [ ]
- Exchange Act Rule 14e-2(d) (Subject Company Response) [ ]

NUEVA G. MÉXICO, S.A. DE C.V.

(Name of Subject Company)

NEW MEXICO GROUP

(Translation of Subject Company's Name into English)

UNITED MEXICAN STATES

(Jurisdiction of incorporation or organization)

NUEVA G. MEXICO, S.A. DE C.V.

(Name of Person(s) Furnishing Form)

Series B Ordinary Shares

(Title of Class of Subject Securities)

Not Applicable

(CUSIP Number of Class of Securities (if applicable))

Minera México Internacional, Inc

180 Maiden Lane

25<sup>th</sup> Floor

New York, NY 10038

Telephone: (212) 510 20 00

(Name, address (including zip code) and Telephone Number  
(including area code) of person(s) Authorized to Receive Notices  
and Communications on behalf of Subject Company)

September 28, 2000

(Date Tender Offer/ Rights Offering Commenced)

**PART I**  
**INFORMATION SENT TO SECURITY HOLDERS**

Item 1. Home Jurisdiction Document

Offer to Purchase

Item 2. Informational Legends

See inside cover page of the Offer to Purchase dated September 28, 2000.

**PART II**  
**INFORMATION NOT REQUIRED TO BE SENT TO SECURITY HOLDERS**

None

**PART III**  
**CONSENT TO SERVICE OF PROCESS**

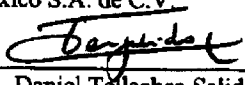
A written irrevocable consent and power of attorney on Form F-X was filed by Grupo Mexico S.A. de C.V. concurrently with this Form CB.

**PART IV**

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated as of September 27, 2000.

Nueva G Mexico S.A. de C.V.

By:   
Name: Daniel Tellechea Salido  
Title: Managing Director

**DEFINITIVE PROSPECTUS.** The securities mentioned in this definitive prospectus have been registered with the National Registry of Securities and Intermediaries may not be offered or sold until the National Registry of Securities and Brokers of the CNBV, same which may not be offered or sold abroad the United Mexican States, unless it is permitted by the laws of other countries.

**PUBLIC PURCHASING OFFER OF UP TO 630,225,312 SERIES "B" COMMON SHARES, NOMINATIVE,  
WITHOUT EXPRESSING PAR VALUE, REPRESENTING THE CAPITAL STOCK OF**

**GRUPO MÉXICO, S.A. DE C. V.**



**GRUPO MÉXICO, S.A. DE C.V.**

**AND OF RECIPROCAL SUBSCRIPTION OF UP TO 630,225,312 SERIES "B" COMMON SHARES,  
NOMINATIVE AND WITHOUT EXPRESSING PAR VALUE, REPRESENTING THE CAPITAL STOCK OF  
NUEVA G. MÉXICO, S.A. DE C.V.**

**Total Amount of the Purchasing Offer and Reciprocal Subscription**

**\$ 23,223'802,747.20**

Issuer:	Grupo México, S.A. de C.V.	Nueva G. México, S.A. de C. V.
Trade symbol:	GMEXICO	NGMEXIC
Series:	"B"	"B"
Total number of shares to be acquired:	Up to 630,225,312	not applicable
Total number of shares to be subscribed:	not applicable	630,225,312
Purchasing Price:	\$36.85	not applicable
Subscription Price:	not applicable	\$36.85
Subscription Factor:	1	1
Offering Period:	From September 28 to October 12, 2000	
Date Registered in Stock Exchange Market:	not applicable	October 12, 2000
Settlement Date:	October 16, 2000	
Percentage of Capital Stock:	Up to all except one share of the GMEXICO's paid capital stock	up to 99.9603%

**NOTICE TO INVESTORS AND PROSPECTIVE INVESTORS WHO ARE U.S. PERSONS**

**THE SHARES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

This exchange offer or business combination is made for the securities of a foreign company. The offer is subject to disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in the document, if any, have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since the issuer is located in a foreign country, and some or all of its officers and directors may be residents of a foreign country. You may not be able to sue a foreign company or its officers or directors in a foreign court violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment.

You should be aware that the issuer may purchase securities otherwise than under the exchange offer, such as in open market or privately negotiated purchases.

**This document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from or on behalf of, Grupo México S.A. de C.V. shareholders in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction. However, the offeror may, in its sole discretion, take such action as it may deem necessary to extend the offer to Grupo México S.A. de C.V. shareholders in such jurisdiction.**

Nueva G. México, S.A. de C.V., offers to buy from the stockholders of Grupo México, S.A. de C.V., the shares they own subject to the condition of simultaneously applying the selling price to pay the subscription price of the shares representing the stock capital of Nueva G. México, S.A. de C.V., in the following form and terms:

#### PROCEDURE OF THE PURCHASING OFFER AND THE RECIPROCAL SUBSCRIPTION

- 1) The natural persons, stockholders of Grupo México, S.A. de C.V. who agree to sell to Nueva G. México, S.A. de C.V. their shares representing the capital stock of Grupo México, S.A. de C.V., through the process of purchasing and reciprocal subscription, will subscribe and apply the product of the sale of each and every one of the shares of Grupo México, S.A. de C.V. they sell, to pay for the subscription of one share of Nueva G. México, S.A. de C.V., this is in a ratio of one share of Grupo México, S.A. de C.V. per each share of Nueva G. México, S.A. de C.V.
- 2) The legal persons, stockholders of Grupo México, S.A. de C.V. who wish to tender in the Offer, and who maintain the safekeeping of their shares in brokerage houses, credit institutions or other deposit institutions, must request, from their respective intermediary to sell their shares of Grupo México, S.A. de C.V. during the Offering Period, and simultaneously apply the selling price to the subscription of shares of Nueva G. México, S.A. de C.V.
- 3) The persons who physically hold the securities of their shares and who wish to participate in the current Offer must go to the Stock Exchange or bank they choose or to Grupo México's office at Baja California 200, 8o piso, Col. Roma Sur, Delegación Cuauhtémoc, Mexico, D. F. from September 28, 2000 to October 12, 2000.
- 4) This public purchasing and subscription offer is addressed to all of Grupo México, S.A. de C.V. shareholders, nonetheless, in the case of legal persons, residents of Mexico they should carry out this operation outside of the stock exchange at Average Fiscal Cost of the shares, and they must prepare a Fiscal Opinion performed by a Public Accountant Registered before the fiscal authorities same which shall be delivered to Grupo México at the latest on October 30, 2000 in order for it to be able to file it with said authorities.

Grupo México, S. A. de C.V. stockholders will receive dividend payment corresponding to voucher 7, which was approved by the Ordinary General Stockholders Meeting held on April 28, 2000. Said dividend will be paid on December 20, 2000.

The brokerage houses or banks must make the transfer of shares of Grupo México, S.A. de C.V. to the account number 0604 at S.D. Indeval S. A. de C.V., in favor of the Intermediary Dealer, Casa de Bolsa Santander Mexicano, S.A. de C.V., Grupo Financiero Santander Mexicano, [a securities deposit institution], according to the procedure described in this prospectus, at 10.00 o'clock in the morning, Mexico City time, of the Registry Date.

The transfer of GMEXICO shares, or the delivery of the same account No. 0604 at S.D. Indeval, will constitute the unconditional acceptance of the Public Purchasing and Reciprocal Subscription Offer by the holder of such shares, in accordance with the terms of the same.

The acceptance of the Public Purchasing and Reciprocal Subscription Offer, through the procedure of delivery or transfer of GMEXICO shares to account No. 0604 at S.D. Indeval, under the terms set forth above is considered irrevocable. Consequently, once executed, the offered shares will not be able to be withdrawn from said account.

On October 16, 2000, the Dealer Casa de Bolsa Santander Mexicano, S.A. de C.V., Grupo Financiero Santander Mexicano, will transfer to the brokerage houses or banks through the S.D. Indeval, S.A. de C.V. system, a securities deposit institution, the corresponding shares of Nueva G. México, S. A. de C.V.

When the interchange period has expired and once the safe-keeping of the investors' interests and those of the general market have been accredited, an application to cancel the registration of shares representing the stock capital of Grupo México, S.A. de C.V. will be filed with the Securities Section of the National Registry of Securities and Brokers of the CNBV, so that these shares stop being quoted at the BMV.

Intermediary Dealer in the Primary Public Offer of Nueva G. México, S. A. de C.V.  
And in the Purchasing Offer of Grupo México, S. A. de C.V.

Casa de Bolsa Santander Mexicano, S.A. de C.V.

Grupo Financiero Santander Mexicano

The shares representing the capital stock of Nueva G. México, S. A. de C.V., are registered in the Securities Section of the National Registry of Securities and Intermediaries and will be quoted in the Bolsa Mexicana de Valores, S.A. de C.V., through writ number DGDAC-1268-4568, issued by the Comisión Nacional Bancaria y de Valores on September 27, 2000, where, in addition, the Public Purchasing Offer and the Reciprocal Subscription of the same were authorized.

The registration in the National Registry of Securities and Intermediaries does not imply any certification on the merit of the security or the financial standing of the issuer.

Mexico, D.F. on the 28 day of September, 2000 C.N.B.V authorization DGIB-854/45270 dated , September 27, 2000.

Available Descriptive Prospectus

The Prospectus may be consulted at the Bolsa Mexicana de Valores, S.A. de C.V. whose address is [www-bmv.com.mx](http://www-bmv.com.mx).

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### **V. ANNEXES**

1. Consolidated Internal Financial Statements as of June 30, 2000
2. Audited Consolidated Financial Statements as of December 31, 1999, 1998, and 1997.



**"No intermediary, with the capacity to perform operations with the public or with any other person, has been authorized to provide any information or make any representation that is not included in this Prospectus. Consequently, any information or representation that is not included in this Prospectus must be deemed as unauthorized by the Company and the Casa de Bolsa Santander Mexicano, S.A., Grupo Financiero Santander Mexicano."**

**I. GENERAL DATA****1) Glossary of Terms and Definitions**Terms of the Public Offer

Shares	Series B Shares, Class I and II, common, nominative and without expressing par value of Grupo México, S. A. de C.V.
CETES	Certificates of the Treasury of the Federation
Dollars	Dollars from the United States of America
EBITDA	Earnings before Interests, tax, depreciation and amortization
GMEXICO, the Company or Issuer	Grupo México, S. A. de C.V.
IMPAC /AT	Asset Tax
Indeval	S.D. Indeval, S.A. de C.V., Securities Deposit Institution
NICP	National Index of Consumer's Prices
Intermediary Dealer	Casa de Bolsa Santander Mexicano, S.A. de C.V., Grupo Financiero Santander Mexicano
ISO 9002	International Standards Organization
Nueva G. México, S. A. de C.V. or NGMEXICO	Nueva G. México, S. A. de C.V.
GAAP	Generally Accepted Accounting Principles in Mexico
RNVI	National Registry of Securities and Intermediaries of the CNBV
LIBOR	London Inter Bank Offered Rate

Subsidiary Companies of GMEXICO:

GFM	Grupo Ferroviario Mexicano, S.A. de C.V.
GMM	Grupo Minero México, S.A. de C.V. (before Mexico Desarrollo Industrial Minero, S.A. de C.V. ) (MEDIMSA)
Asarco	Asarco Incorporated
Cananea	Mexicana de Cananea, S.A. de C.V.
GIMMEX	Grupo Industrial Minera México, S.A. de C.V.
Mexcobre	Mexicana de Cobre, S.A. de C.V.
Ferromex	Ferrocarril Mexicano, S.A. de C.V.
IMMSA	Industrial Minera México, S.A. de C.V.
Mexarco	Mexicana del Arco, S.A. de C.V.
Mexci	México Compañía Inmobiliaria, S. A.
MIMENOSA	Minerales Metálicos del Norte, S.A.
Mimimex	Minerales y Minas Mexicanas, S.A. de C.V.
Saasa	Servicios de Apoyo Administrativo, S.A. de C.V.
SPCC	Southern Peru Copper Corporation
MRI	Montana Resources Incorporated
WCS	Western Copper Supplies, Inc.
MMI	Minera México Internacional, Inc.

Companies connected with GMEXICO:

Anaconda	Anaconda Company
Arthur Andersen	Ruiz Urquiza y Cía., S.C.
BITAL	Banco Internacional, S.A.
Comex	The Commodity Exchange, Inc.
Cyprus	Cyprus Amax Minerals Company
Ferrosur	Ferrocarril del Sureste, S.A. de C.V.
Fidenome	Fomento Industrial del Norte de México, S.A. de C.V.
FNM	Ferrocarriles Nacionales de México
GFSM	Grupo Financiero Santander Mexicano

HYLSA  
ICA  
Linea Chepe  
LME  
PD  
Peñoles  
FNE  
TFM  
TFVM  
TMM  
Union Pacific

Hojalata y Lámina, S.A. de C.V.  
Constructoras ICA, S.A. de C.V.  
Ferrocarril de Línea Corta Chihuahua Pacífico  
London Metal Exchange  
Phelps Dodge Corporation  
Industrias Peñoles, S.A. de C.V.  
Ferrocarril del Noreste.  
Transportación Ferroviaria Mexicana, S.A. de C.V.  
Terminal Ferroviaria del Valle de México, S.A. de C.V.  
Transportación Marítima Mexicana.  
Union Pacific Railroad Company.

#### Authorities

BMV or Bolsa  
CFC (FCC)  
CFE

CNBV

Nafin  
NYSE  
SCT

SECOFI

SHCP

PROFEPA

SEMARNAP

ST

Bolsa Mexicana de Valores, S.A. de C.V.  
Federal Competition Commission  
Comisión Federal de Electricidad  
(Federal Commission of Electricity)  
Comisión Nacional Bancaria y de Valores  
(National Banking and Securities Commission)  
Nacional Financiera, S.N.C.  
New York Stock Exchange  
Secretaría de Comunicaciones y Transportes  
(Secretariat of Communications and Transportation)  
Secretaría de Comercio y Fomento Industrial  
(Secretariat of Commerce and Industrial Support)  
Secretaría de Hacienda y Crédito Público  
(Secretariat of Finance and Public Credit)  
Procuraduría Federal de Protección al Ambiente  
(Environment Protection Federal Agency)  
Secretaría de Medio Ambiente, Recursos Naturales y Pesca  
(Secretariat of Environment, Natural Resources and Fishing)  
Secretaría del Trabajo (Secretariat of Labor)

#### Otros

ARE  
CERCLA or Superfund

CNA  
Ecology  
INE  
Environmental Law

PAMA

NAFTA  
Union

Alliance for Economical Recovery  
Comprehensive Environmental Response Compensation and Liability.  
Water National Commission  
Ecology Department in Washington.  
Instituto Nacional de Ecología.  
General Law of Ecological Balance and Environmental Protection.  
Administrative program to comply with environmental regulations in Peru.  
North American Free Trade Agreement  
National Union of Workers from the Mining, Metallurgic, and Similar Industries in the Mexican Republic.

#### Certain Terms from the Mining Division

Copper Anodes

Benches

Specially-shaped copper slabs produced in a smelter in the process of refining copper blisters in a reverberatory furnace.  
A method used in open-pit mining involving the cutting of steps

Calcareous Copper Cathodes	to prevent slides. Rocks containing calcium carbonate. In the copper electrolytic process, the refined copper that has been deposited in cathodes, starting from a sour solution of copper sulfate. The copper cathodes are generally smelted in a furnace and casts in rods of different weights to be sold in the market.
Copper blister	An impure product from converters in the process of smelting copper. Its name comes from the large blisters that are formed on the cast surface, as a result of the liberation of sulfur dioxide and other gases.
Porphyry copper	Disseminated copper deposit in which the copper minerals occur as tiny grains or veinlets throughout a large volume of rock, which is generally porphyry.
Tailings	The waste material from ore after the economically recoverable metals or minerals has been extracted in a concentrating plant.
Toll Agreement	A contractual agreement for the benefit of any material in a smelter or refinery, under which the metallic content of the smelted or refined product is returned or credited to the account of the customer of such smelter or refinery.
Coke	Fuel source comprised of coal from which the volatile elements have been eliminated by heat in a coke oven retort or facility.
Cuts and Filling	Underground mining system that includes the ore extraction from a shaft that is replaced with waste materials or tailings from concentrators as filling material.
Room-and-Pillar	A method of underground mining in which the distinguishing feature is 50% of the ore that is extracted in the first working. The ore is mined in rooms separated by narrow pillars. The ore in the pillars is extracted by subsequent working.
Mineral Rock Stripping	A continuous and well-defined mass that contains minerals. The processes of removing overburden to expose ore in an open pit.
Dross	The material formed on the surface of molten metals, as a result of oxidation or the distillation of impurities to the surface. (For example, the copper sulfide formed on the surface of molten lead bullion).
Dip	The angle at which a stratum or vein is inclined from the horizontal by a structural surface.
Electrowinning Slurry	The recovery of metals from a solution through electrolysis The sterile material or waste that covers the mineral in an open-pit mine.
Assay	The process to determine the metal content in ores or concentrates using analytical chemistry techniques
Schist	Crystalline rock whose component minerals are arranged in a parallel structure, generally secondary, developed by shearing and recrystallization under pressure.
Exploration	Prospecting, sampling, mapping, diamond drilling and other work involved in the search for mineralization.
Solvent Extraction	The process of separating the metals contained in the ore through the action solvents, which selectively extracts the required element.
Solvent Extraction- (SX-EW) Flotation	Electrowinning The process which is a combination of solvent extraction and electrowinning. A mineral recovery process by which minerals are separated from each other and from waste to produce mineral concentrates
Smelter	A metallurgical plant in which the smelting of the concentrates and ores takes place, as the beginning of their conversion into a metallic product.

Grade	The percentage of metal content in ore.
Cut-off grade	The lowest grade of mineralized material considered economic to extract. Cut-off grade is used in the calculation of the ore reserves in mineral deposits.
Leaching	The process of removal of soluble minerals or elements through the action of percolating solvent solutions. This solvent could be sulfuric acid.
Heap leaching	A low-cost process for recovering copper from ore by percolating leaching solutions through heaps of ore placed on impervious pads. Heap leaching is generally used on low-grade ores.
Anodic slimes	A mixture of metals and some insoluble components in extremely fine particles that are obtained through electrolysis of copper. These slimes contain important quantities of gold and silver.
Matte	The product in smelting sulfide ores of copper and lead or the smelting of copper bearing materials, usually in a reverberatory furnace.
Ore	A material containing metal or minerals of commercial value.(sufficient quantity, quality and value to be mined)
Non-ferrous metals	Metals not containing, including or relating to iron.
Mineral	An inorganic substance occurring in nature. This prospectus only considers metallic substances as galena, (PbS), Chalcocite (Cu <sub>2</sub> S) Chalcopyrite (CuFeS <sub>2</sub> ) sphalerite (ZnS), Pyrite, et al..
Sampling	Cutting a representative part of an ore deposit or vein, which should represent with certitude its average value.
Oxide	That portion of a mineral deposit within which sulfide minerals have been oxidized, usually by surface weathering processes.
Pillars	Mineral blocks that have not been exploited with the purpose of supporting the shafts or other mining works.
Spot price	The current market prices of a metal for immediate delivery.
Hydrometallurgic Process	The processing of a mineral in a humid environment.
Pyrite	A brassy-colored mineral of iron sulphide (compound of iron and sulfur).(FeS <sub>2</sub> )
Stope	The underground excavation from which ore is extracted.
Refining	The final stage of metal purification in which final impurities are removed.
Electrolytic refining	The process of dissolving impure metal anode in an acid copper sulphate solution and depositing it in a pure state on the cathode.
Refinery	Metallurgic plant in which the metal refining takes place.
Stripping Ratio	The ratio of waste materials to mineral in the material moved in an open pit operation.
Reserve	The portion of a mineral deposit, which could be reasonably supposed to be economically and legally exploitable and produced at the time of computing, reserves. The term "economically" implies that profitable exploration or production under defined investment assumptions, which have been established or analytically proven. The assumptions used must be reasonable, including assumptions related to prices and costs that will prevail during the life of the project. The term "legally" does not mean that all the necessary permits for mining and processing have been obtained, or that legal matters have been completely settled. Nevertheless, in order to have an existing reserve, there must not be any significant incertitude related to the issuance of such permits.
Probable reserves	Reserves for which quantity and grade are computed from information similar to that used for proven reserves but the sites for sampling are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for

## Proven reserves

proven reserves, is high enough to assume continuity between points of observation.

Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (b) grade and/or quality are computed from the results of detailed sampling; and (c) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so sufficiently defined that size, shape, depth and mineral content of reserves are well established.

## Sinter

## Sintering

A porous homogenous mass, a product of sintering

To heat a mass of fine particules for a prolonged period below the point of fusion, generally for the purpose of cohesion; in the case of minerals and concentrates. This is achieved by the fusion of certain elements.

## Stockwork

A solid mass of ore so interpenetrated by small veins of ore that the whole must be mined together.

## Sulphide

A mineral characterized by the union of sulfur with a metal, such as galena, sphalerite, chalcocite, pyrite, et al...

## Open Pit

Surface mining system of exploitation in which the ore is extracted from a pit.

## Waste

The portion of a mineral deposit lacking sufficient grade and/or other characteristics of ore to be economically mined, or the material surrounding ore.

## Shaft

A mine excavation of limited area compared with its depth (generally vertical) made for mining, raising water, hoisting ore, lowering miners and material and ventilating underground workings.

Certain Terms of the Railroad Division

## AAR, American Association of Railroads

An industry association in charge of establishing the parameters for minimum security, maintenance, operations, services and repairs in the United States of America.

## Rail caliber

The denomination given to the rail according to the weight per length unit.

## Rights of passage or Trackage rights

Rights awarded to operate equipment with one's own personnel on a railroad track of another concessionaire according to the controls agreed upon and being subject to authorized tariffs.

## Hauling equipment

Railroad equipment to transport passengers or cargo that does not include its own tractive equipment.

Railroad equipment  
Tractive equipment:

Tractive, hauling or work equipment that travels on railroads.

Self-propelled railroad equipment used on railroads to move railroad equipment.

## Sidings

Auxiliary railroads connected at both ends to avoid encounters and allow the passage of trains or to store railroad equipment.

## Station

Facilities for train arrivals and departures allowing for the ascent and descent of cargo and passengers, reception, storage, classification, consolidation, dispatch of goods, and designated as such by name listed in a scheduled station column.

Intermodal  
Yard

Activities that include more than one means of transportation.

A railroad track system with defined limits including main track and escapes that is used to couple trains, store hauling equipment and other purposes.

## Centralized System of Traffic and Trains (SCTT)

The system by which the movement of trains is authorized by controlled signals from a determined point through electromechanical, electronic or computerized means and the movement of trains is governed by remote control from the dispatch office.

## Train

One or more coupled machines with or without hauling

**Railroads**

equipment, displaying a signal and authorized to operate on a main line.

Roads with rails on which trains move, including those in train yards necessary for operation.

Conversion table of factors from metric to English measures.

Metric Measures

English (Imperial) equivalence

1 Metric Ton	=1.10231 Short Tonnes (1 short tonne = 2000 pounds)
1 Gram	=0.03215 Ounces
1 Gram per metric ton	=0.02917 Ounces per short ton
1 Kilogram per metric ton	=29.166642 Ounces per short ton
1 Kilometer	=0.621371 Miles
1 Meter	=3.28084 Feet

**2) Persons Responsible for the Information Included in this Prospectus**

The persons listed below filed liability letters at the CNBV and the BMV as part of the registration and listing of Shares application referred to in this prospectus, in which they have declared that they have no knowledge of relevant information that has been omitted, distorted or that induces errors in this prospectus:

**By Nueva G. México, S.A. de C.V.**

Germán Larrea Mota-Velasco  
Genaro Larrea Mota-Velasco  
Júan Sánchez-Navarro Peón  
Romulo O'Farrill Jr.  
Prudencio López Martínez  
José Mendoza Fernández  
Claudio X. González Laporte  
Juan I. Gallardo Thurlow  
Agustín Santamarina Vázquez  
Rolando Vega Iñiguez

President of the Board of Directors  
Vice-President of the Board of Directors  
Member of the Board of Directors  
Member of the Board of Directors  
Member of the Board of Directors  
Member of the Board of Directors  
Member of the Board of Directors  
Member of the Board of Directors  
Secretary of the Board of Directors  
Statutory Auditor

**By Santamarina y Steta, S.C.**

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Partner

**By Casa de Bolsa Santander Mexicano, S.A. de C.V.**

**Grupo Financiero Santander Mexicano**

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Col. Cuauhtémoc  
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Tel. 56295051  
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Chief Executive Officer of  
Corporate Finance

Eduardo Fernández García-Travesí  
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Divisional Legal Director



Tel. 56293000  
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### 3) Executive Summary of this Prospectus

The following summary is subject to the detailed information and financial statements included in this prospectus. In this prospectus some operating data is shown in metric measures and imperial measures. See *"Glossary of Terms and Definitions - Table of Conversion Factors from Metric Units to Imperial(English) Units"* for more details on equivalences of measures and definitions.

## THE COMPANY

NGMEXICO, is a company that was incorporated on September 2<sup>nd</sup> 1999. NGMEXICO, is a company that has been incorporated as part of the corporate reorganization of GMEXICO, in order to be able to internationalize its mining division, which includes operations in the United States, Peru, and Mexico. As part of this reorganization, the exchange of GMEXICO shares, which are currently held by its stockholders, for shares of equal characteristics from NGMEXICO, in order to achieve the aforesaid reorganization, the railroad division will be separated and the shares of the companies that constitute the mining division will be contributed through several companies (as it is explained under Reorganization). See *"Corporate Reorganization of GMEXICO"*.

The information presented in this prospectus corresponds to the activities and operations of GMEXICO, notwithstanding the aforesaid, once the exchange of shares, object of this offer, has been accomplished, the information herein will be applicable to NGMEXICO, therefore, except some limited administrative activities that NGMEXICO will perform or that GMEXICO is currently performing, most of the earnings and net income of NGMEXICO will directly or indirectly come, as until this date, from the operation of GMM, Asarco and GFM.

### Grupo México, S.A. de C. V.

GMEXICO is a holding company and all of its operations are conducted through three subsidiaries in which the mining and railroad operations are grouped: GMM, a subholding company that groups the mining operations in Mexico; GFM, a subholding company whole-owner of Ferromex that operates the railroad division; and Asarco, a subholding company that groups the mining operations in the United States and Peru.

GMEXICO is the most important company in Mexico with respect to copper production and the third in significance on a worldwide level, according to internal statistics of the GMEXICO and of mining analysts (See *"Sources of Information and Experts Opinions"*). GMEXICO, since February 1998, has been operating the most extense railroad in the country. GMEXICO's consolidated net sales in 1999 went up to Ps.18,079.0 millions of constant Mexican pesos and its total assets accounts for Ps.89,786.5 millions as of December 31, 1999. Its main business line is mining which includes copper, zinc, silver, gold, lead and molybdenum processing.

Out of the consolidated net sales of GMEXICO's mining division in 1999, 65.8% corresponded to copper rods, copper cathodes and copper blisters, 14.0% to zinc sales, 8.9% to silver sales, and the remaining difference corresponded to gold, lead and other metals and by-products to metal trading activities. Likewise, GMEXICO consolidated Ps.2,246.5 million of Mexican pesos from Asarco sales during the 44 days of the year during which it operated as its subsidiary. In 1999, GMEXICO produced and sold 497,057 metric tons of copper, 152,984 metric tons of zinc, 662 metric tons of silver, 2,127 kilograms of gold, 8,089 tons of molybdenum and 53,235 metric tons of lead. Export sales represented 48% of GMEXICO net sales in 1999, and substantially all of GMEXICO's income comes from the sale of its metals in operations expressed in Dollars. With respect to the railroad sector, the income obtained by services were in the amount of Ps.5,255.8 million of Mexican pesos during 1999, which represented 28.1% of the total sales.

GMEXICO stands among the lower-cost copper producers in the world, and has substantial mineral reserves.

Until before November 1999, 100% of GMEXICO's mining and metallurgic operations, as well as its comprehensive exploring activities, were located in Mexico. Since the acquisition of Asarco, these activities have expanded to the United States and Peru. The combined operations of GMEXICO integrate a first rank international mining group, which is consolidated as the third producer of copper and silver in the world and the fifth producer of



zinc and molybdenum. GMEXICO also has significant low-cost mineral reserves, expanding its average life and achieving greater flexibility to rationalize its operations as well as the development of additional production capacity.

In the future, GMEXICO's strategic priorities are the integration of Asarco's operations, taking advantage of the opportunities within the industry, continuing to reduce operation costs, both in the mining and the railroad operation, expanding the capacity of its leaching plants, and achieving vertical integration in the refining of copper and zinc. These measures are focused on consolidating GMEXICO's competitive position as a company with global quality, and at the same time obtaining the creation of additional value for its stockholders.

GMEXICO's origins go back to the beginning of the 1900s when the *American Smelting and Refining Company*, which changed its name to *Asarco Incorporated*, expanded its mining operations to Mexico and developed the Santa Eulalia mine and the smelting in Chihuahua through a wholly-owned subsidiary called *Compañía Minera Asarco, S.A.* In 1965, due to a change in the Mexican legislation that imposed restrictions on foreign investors in the stock capital of Mexican mining companies, *Compañía Minera Asarco, S.A.* was reorganized, and several Mexican investors acquired the majority of the stock capital of the company. In 1974, as a result of additional restrictions on foreign interest in the stock capital of Mexican mining companies, Asarco sold part of its ownership and reduced its interest to 34%, and the company changed its name to *Asarco Mexicana, S.A.* In 1978, the Larrea family acquired the majority of *Asarco Mexicana*, changing its name to *Industrial Minera México, S.A. de C.V. México Desarrollo Industrial Minero, S.A. de C.V.*, today *Grupo Minero México, S.A. de C.V.*, ("GMM") was created as a holding company of IMMSA. Subsequently, Asarco exchanged its stock interest in IMMSA by shares representing the stock capital of Medimsa (38%). In 1978, *Grupo Industrial Minera México, S.A. de C.V.* ("GIMMEX") was created as a holding company of Medimsa. In 1994, as part of a corporate reorganization of the group, the current GMEXICO was incorporated, which through an exchange of shares, became the holding company of Medimsa. Subsequently, GMEXICO merged with *Grupo Industrial Minera México, S.A. de C.V.* ("GIMMEX"), with GMEXICO remaining as the merging company. In the reorganization operation, Asarco's reorganization exchanged its stock interest in Medimsa for 26.0% in GMEXICO. GMEXICO continues to own an interest of 98.84% in Medimsa, today GMM. In October 1997, Medimsa changed its name to *Grupo Minero México, S.A. de C.V. (GMM)*.

#### Corporate Reorganization of GMEXICO:

GMEXICO is carrying out a reorganization process with the purpose of internationalizing its mining division which already operates in three different areas: Mexico, Peru, and the United States. The objectives of such reorganization are:

1. Creating a structure that will permit performing globalization projects of the mining division of the group;
2. Improving the financial cost "country risk" that is applied to the financing of the Group;
3. Having access to better alternatives to access capital markets; and
4. Improving stock liquidity

In the design of its reorganization process, GMEXICO has sought to:

- a) Maintain the tax consolidation at GMEXICO's current level;
- b) Separate the railroad business and new projects from the internationalized mining division infrastructure; and
- c) Permit the acquisition and/or merging of foreign mining companies through a foreign vehicle without losing the tax consolidation in Mexico.

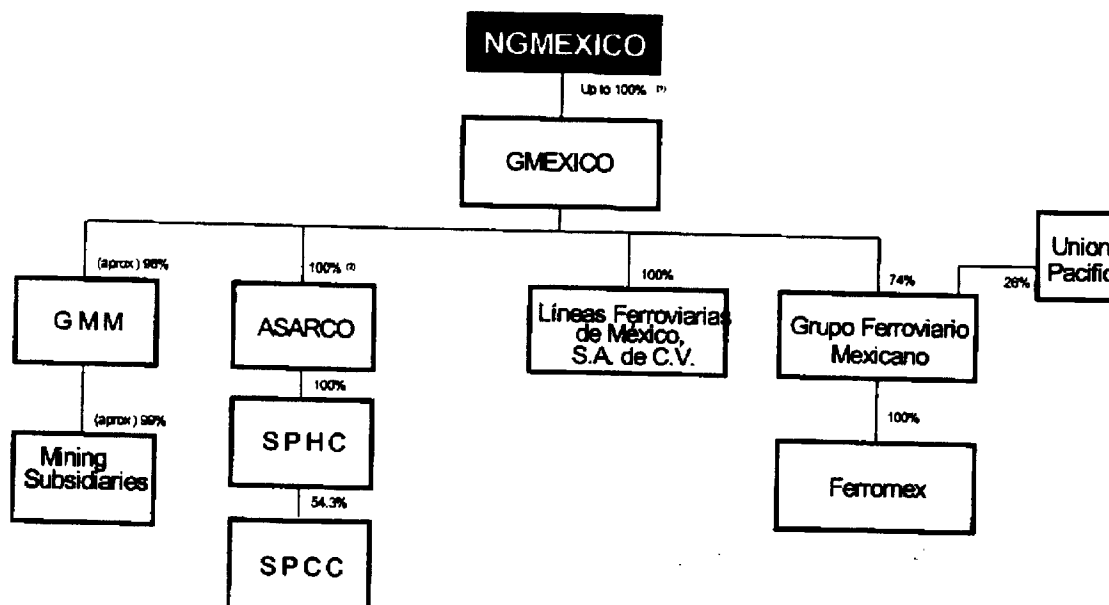
The steps to be followed in the corporate reorganization of GMEXICO are the following:

1. The execution of a Public Purchasing Offer of Shares representing GMEXICO's capital stock and the reciprocal subscription of NGMEXICO shares. In this sense, NGMEXICO pursuant to writ number 330-SAT-IV-C 1182/2000 dated on April 14, 2000, has been authorized by SHCP with the purpose that the natural persons residents of Mexico and the common investment companies residing abroad exchange their shares of GMEXICO through the BMV, by means of selling GMEXICO's shares at its stock market quotation price and the subscription and payment of NGMEXICO's shares at the same price and the legal persons (business corporations) residents of Mexico carry out the stock exchange outside of the stock market, through the selling at their fiscal cost and the subscription and payment of NGMEXICO's shares at that same cost.

Once said public offer has been concluded, NGMEXICO will become the company holding the majority of GMEXICO's capital stock.

To this effect GMEXICO will maintain its purchase code as GMEXICO and NGMEXICO once it has been registered will be quoted as NGMEXIC, and once the registry of the shares of GMEXICO is cancelled with the BMV, NGMEXICO will be quoted as GMEXICO.

Thereby, the corporate organization of GMEXICO will be integrated in its first phase as follows:



When the interchange period has expired and once the safe-keeping of the investors' interests and those of the general market have been accredited, an application to cancel the registration of shares representing the stock capital of GMEXICO will be filed with the Securities Section of the National Registry of Securities and Brokers of the CNBV, so that these shares stop being quoted at the BMV, then NGMEXICO will change its purchase code to that of GMEXICO.

The public offer is the first step of the corporate reorganization of GMEXICO. For the purpose of carrying out this reorganization, NGMEXICO was incorporated with the minimum stock capital required by law and on September 12, 2000, NGMEXICO increased its capital stock by means of the issuance of 700,000,000 new nominative, ordinary shares, without par value, 630,225,313 of the capital stock are representative of the Class I minimum fixed portion, and 69,774,687 shares of the Class II variable portion, both from NGMEXICO's capital stock. The new shares of the minimum fixed portion will be used to carry out the reciprocal subscription by those of GMEXICO's shareholders that offer their shares to NGMEXICO, and those of the variable portion will remain in the Company's Treasury Department for future projects.

With regard to this step GMEXICO's shareholders must take into account that with respect to the payment of dividend approved by the General Ordinary Stockholders Meeting held on April 28, 2000, those corresponding to voucher 7 are still pending, and will be paid on December 20, 2000.

2. Once GMEXICO's registration with the RNVI has been canceled, GMEXICO will hold an extraordinary stockholders' meeting where, among other matters, (i) the cancellation of the registry of its shares in the RNVI and BMV; and (ii) GMEXICO's spin-off, which will result in GMEXICO's legal subsistence and the creation of two new GMEXICO's subsidiaries, as follows: (a) Infraestructura y Transportes México, S.A. de C.V., to which GMEXICO will transfer 74% of the shares representative of the capital stock of GFM, wholly-owned by GMEXICO, and 100% of the

<sup>1</sup> Directly and through a trust agreement with BITAL.

<sup>2</sup> It depends on the result of the exchange.

<sup>3</sup> The permit to use such corporate name is in process before the Ministry of Foreign Affairs.

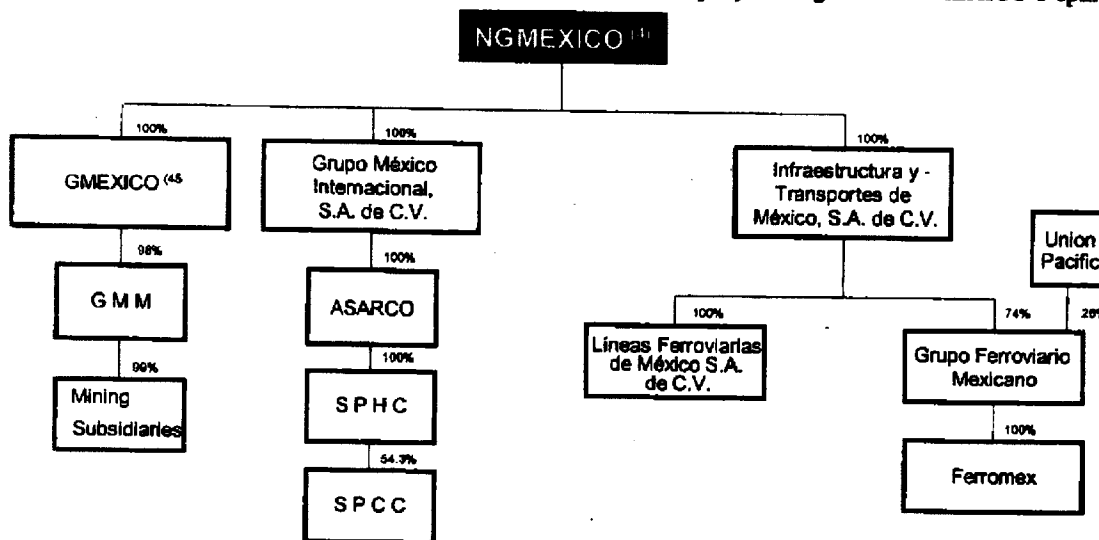
shares representative of the capital stock of Líneas Ferroviarias de México, S.A. de C.V., and (b) Grupo México Internacional, S.A. de C.V.<sup>3</sup> to which GMEXICO will transfer the shares representative of the capital stock of Asarco and the fiduciary rights on the shares of Asarco currently held by GMEXICO in the Trust agreement entered into with BITAL.

To that effect, GMEXICO obtained the authorization of the SHCP through writ number 330-SAT-IV-C-1455/2000 dated March 28, 2000, so that there are no tax consequences in the spin-off and that the same could continue in its capacity of holding company. The authorization was subject to these conditions: (i) the stockholders of NGMEXICO shall indirectly keep, through this company, the ownership of at least 51% of the voting shares of GMEXICO and the two separated companies during a period of two years, counted from the immediately preceding year of the date on which the separation notice is given by GMEXICO; (ii) NGMEXICO shall not have directly more than 50% of the shares of GMEXICO at the end of a one month period counted from the date on which the shares of GMEXICO stop being considered as placed in the major investing public by the CNBV.

Likewise, NGMEXICO will hold an extraordinary stockholders' meeting, in which, among other matters, it will approve the change of its corporate name to Grupo México, S.A. de C.V. and GMEXICO will change its corporate name to Minera México, S.A. de C.V.

Thereby, the corporate organization of GMEXICO in its second phase will be as follows:

3.- Thereafter, Grupo México Internacional, S.A. de C.V. company arising out of GMEXICO's spin-off, will



incorporate a Mexican company (that will be referred to as "Mexican Holding"). This Mexican Holding together with NGMEXICO will incorporate an American holding company under the laws of Delaware (that will be referred to as "The American Holding Company"), whose purpose will be to hold GMEXICO and Asarco's shares, by means of their transfer by Mexican Holding.

Grupo México Internacional, S.A. de C.V. will transfer (at their average fiscal cost) through a purchase-sale agreement the shares representing the capital stock of Asarco and the fiduciary rights on Asarco shares which are currently held by GMEXICO in the trust entered into with BITAL to the Mexican Holding which also through a purchase-sale agreement will transfer at their average fiscal cost said shares representing Asarco's capital stock to the American Holding Company.

On its part, NGMEXICO will transfer through a purchase-sale agreement the shares representing GMEXICO's capital stock to the American Holding Company.

<sup>4</sup> Whose new corporate name will be Grupo México, S.A. de C.V.

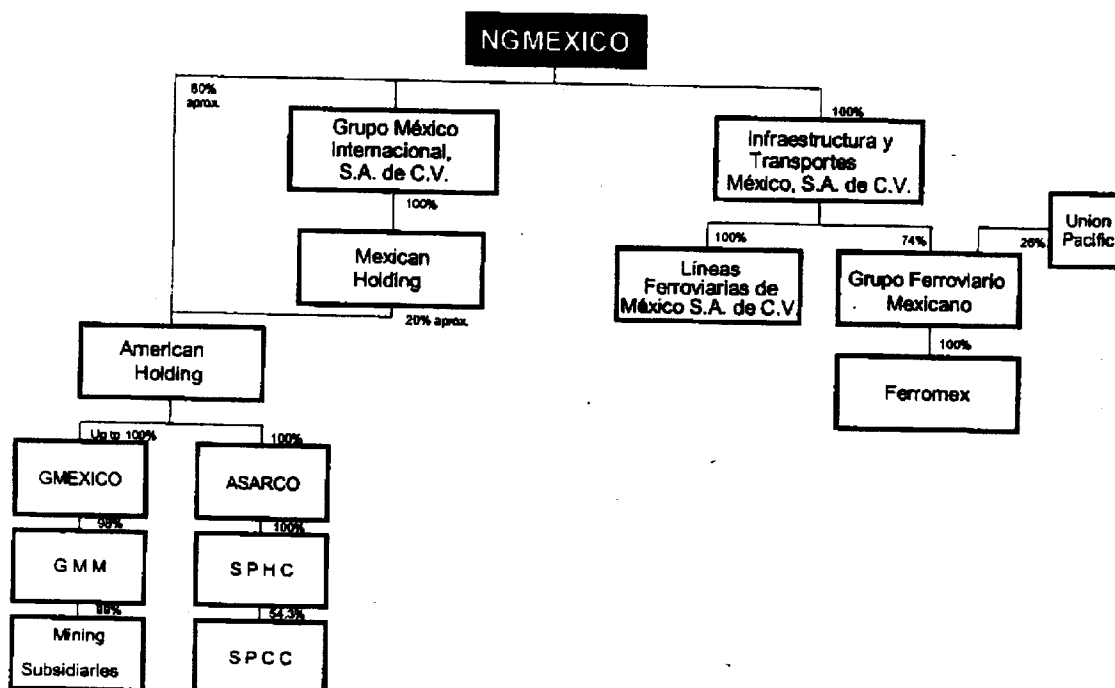
<sup>5</sup> Whose new corporate name will be Grupo México, S.A. de C.V.

The aforesaid transfers will be made at their fiscal cost. For purposes of the above, the SHCP's authorization was obtained through writ number 325-SAT-433 dated May 19, 2000, same that was subject to the fulfillment of the following requirements: (i) that the operation is realized as a sale and the capitalization of the liability originated by the same in the purchasing company at the fiscal cost that NGMEXICO will have from the GMEXICO shares it will transfer to the American Holding Company; (ii) that the average cost per share of the shares object of the sale, is determined at the date they are transferred; and (iii) that the percentage of the American Holding Company shares NGMEXICO receives as a result of the transfer of GMEXICO's shares to NGMEXICO is the same it had before said transfer, taking as a base the consolidated financial statements of the American Holding Company.

Finally, the Mexican Holding through an increase of its capital stock, will capitalize in favor of Grupo México Internacional, S.A. de C.V., the liability created by the purchase-sale agreement of Asarco's shares and fiduciary rights. In turn, the American Holding Company, through an increase of its stock capital, will capitalize in favor of NGMEXICO and the Mexican Holding Company, the liabilities created by the purchase-sale agreements of GMEXICO shares and the ASARCO shares and fiduciary rights, respectively.

Consequently, the American Holding Company will hold 100% of the shares representative of the capital stock of Asarco and those GMEXICO shares that NGMEXICO would have received as a consequence of the exchange.

As a consequence of the above, the corporate organization of GMEXICO after concluding the reorganization will be integrated as follows:



4.- In the near future, NGMEXICO intends to register in the United States of America through the New York Stock Exchange, a program of ADR's on shares representing its capital stock and in the same manner undertake a primary public offer of shares representing the capital stock of the American Holding Company, also at the New York Stock Exchange.

#### 4. Risk Factors

GMEXICO considers that the following risk factors might have a significant impact on the operations, financial position and operating results of GMEXICO, as well as on the liquidity and price of the Shares offered according to this

Prospectus. The potential acquirers of NGMEXICO offered Shares should carefully consider all the information mentioned in this Prospectus, including, particularly, the considerations mentioned below:

#### *Conditions of the Mexican Economy*

Beginning in December 1994, and continuing through 1995, Mexico experienced one of the worst economic crises of its history, characterized by exchange rate volatility and the devaluation of the peso against the dollar, increased inflation, high domestic interest rates, a substantial outflow of capital, negative economic growth (on a cumulative basis), reduced consumer purchasing power and high unemployment. Such crisis resulted in part from a series of internal disruptions and political, economic, and social events that adversely affected the Mexican economy and gradually undermined the confidence of investors in Mexico during 1994 and 1995, including civil unrest in the State of Chiapas and the assassinations of two prominent political figures, a large current account deficit (U.S. \$ 29.4 billions in 1994) a reduction of international investments and an increase in the United States interest rates. These adverse conditions in Mexico, among others, resulted in an increase in inflation from 7.1% in 1994 to 52.0% in 1995, and a liquidity crisis affecting the ability of the Mexican Government and banking system to refinance and re-fund maturing debts. Mexican interest rates, which averaged 14.1% per annum for 28-day *Certificados de la Tesorería de la Federación* (Mexican Treasury Certificates or "Cetes"), increased to an average of 50.1% during 1995. According to estimates of the Mexican Government, the gross domestic product fell by 6.2% from 1994 to 1995. Mexico's gross international reserves dropped at the end of 1994 to US\$6.1 billion as of December 31, 1994 and were U.S.\$15.7 billion as of December 31, 1995, as reported by Banco de México (the "Mexican Central Bank" or "Banco de México").

In response to the events described above, the Mexican Government decided to adopt a free floating exchange rate regime and to increase public sector revenues. Economic conditions in Mexico have improved in the last years. The inflation rate decreased to 12.3% in 1999 and for the year 2000 there is a consensus between the government and the private sector to lower it to 10%. The 28-day Cetes interest rates fell to an annual average of 21% in 1999 and 14.60% as of July 27, 2000. Mexico's gross domestic product increased by 4.8% and 3.7% in 1998 and 1999, respectively, and has increased by 7.9% in 2000. Gross international reserves reached U.S.\$31.8 billion on July 21, 2000, compared to U.S.\$28.0 billion as of December 31, 1997 and US\$6.1 billion as of December 31, 1994.

In certain respects, the economic plans of the Mexican Government have not fully achieved their purposes, and there can be no assurance that these economic plans will achieve their stated goals. Similarly, it is not possible to determine what effect the Mexican Government's current economic plans will have on GMEXICO's business, financial position and operating results or prospects.

#### *Political Events*

In the Presidential election held on July 2, 2000, for the first time in more than 70 years the winning candidate that will succeed the current President, Doctor Ernesto Zedillo, in December, 2000, was the Partido Acción Nacional (PAN) opposition candidate, Vicente Fox Quezada.

The changes in the executive power in Mexico have usually been accompanied by changes in the economical plans and policies, by social and political changes, and have created economical instability and exchange rate fluctuations. As a result of the election of July 2000, the composition of the political parties integrating the Chambers of Federal Representatives and Senators will face material changes due to the new political balance of the major political parties of the opposition.

There is no certainty that the economic plans will continue to be the same and that the economic policy will continue to be implemented as it has been in the last sexenat, on the contrary, because of the change of regime and the triumph of the opposition party to the Presidency of the Republic for the next sexenat, the future actions of the Mexican Government might have a significant effect on GMEXICO, on market conditions, prices and return on GMEXICO's securities.

The economic, political and social conditions in Mexico and the behavior of the world's economy might adversely affect in the future GMEXICO's business, operating results, financial condition, and its ability to obtain financing and projects in general.

#### *Currency Fluctuations and Exchange Controls*



The Mexican Peso has been subject to significant devaluation in the past and may be subject to even greater fluctuations in the future because of the flexible exchange rate system adopted by Banco de México after 1995 crisis.

From December 30, 1993 to December 31, 1997, the Mexican Peso was depreciated by 160% with respect to the U.S. dollar, going from Ps.3.106 to Ps.8.083 pesos per dollar, respectively. In 1998, the peso was depreciated by approximately 23%. During the period between January 1999 and June 2000 the peso gradually declined versus the dollar by 0.1% due to better economic conditions in the global markets, recovery in the oil prices, and relative stability of the Mexican economy.

Although almost 100% of GMEXICO's metals sales are invoiced in dollars, a substantial part of the sales cost of its operations (approximately 70%) are expressed in Mexican pesos, therefore when inflation rates rise in Mexico and, or in Peru, it is not affected by the respective increase in the peso or sol devaluation, GMEXICO's operating results are adversely affected, as occurred in the years 1997 and 1999 and in the first six months of the year 2000.

GMEXICO has material assets and liabilities expressed in United States dollars and, considering it has net liabilities expressed in United States dollars, it is liable to exchange losses when the peso decreases its value vis-à-vis the United States dollar. See "Selected Financial Information - Exchange Rates," "Operating Results in 1999, 1998 and 1997".

There can be no assurance that the Mexican Government will not institute restrictive exchange control policies in the future. The imposition of such policies could impair GMEXICO's ability to obtain imported goods and to meet its US-dollar denominated obligations and could have an adverse substantial effect on GMEXICO.

#### *Conditions of the Peruvian Economy*

In general, it can be said that the economic situation in Peru is stable, which is reflected on a controlled inflation of up to 2.2% as of the month of July 2000 and on a devaluation below 1.03% as of the same date.

In the mining sector the government has reduced some of the benefits and incentives for the mining industries, which may be abridged in the following:

- \* The tributary stability covenants for new investments have been eliminated;
- \* A tax has been created for reinvestment of profits; and
- \* Penalties have been established for those who delay the process of mining exploration.

On the other hand, the government plan from the Board of Ministers presented before the Congress of Peru, includes measures to strengthen social stability, as mentioned below:

- a) Strengthening democracy, creating a legal project that will be named "Central Nacional de Inteligencia" (National Bureau of Intelligence), creating own initiatives to strengthen the role of the Judiciary Power and the District Attorney, to intensify economic decentralization parallel to administrative decentralization, strengthening the role of local governments through access to Internet and virtual libraries;
- b) Ceasing intervenient commissions in the Universities at the end of the year 2001, improvement and expansion of free schooling insurance, decentralization of health services, fostering of penitentiary work for inmates;
- c) Decisively supporting negotiations undertaken by entities from the private and the public sector through diplomatic missions abroad, continuing the pacification process in the military field. Supporting the fight against drugs, the fight against smuggling, and supporting the Ministry of Agriculture in order to protect the environment and natural resources;
- d) Strengthening of public order and citizens' security;
- e) Continuing the administrative simplification process; and
- f) Reinitiating the privatization process.

Attempting to double exports within a 5-year period, it is assumed that in this estimate the execution of important projects such as Gas de Camisea, Bayobar, Quellaveco, expansions will be made, as well as making the agricultural sector grow in order to increase agroexports. The opposition in the Congress did not agree with the announcements

since they do not guarantee the strengthening of institutions. The violent demonstrations generated in the country after the Election Day have been controlled.

With respect to the subversive acts generated by groups of rebels, they appear very sporadically.

It is noteworthy that Peruvian society has gone through a period of electoral instability, which culminated with the confirmation of a third consecutive mandate of the President Alberto Fujimori, which, we believe, will bring social and economical stability to the country at least in the middle term.

The Peruvian Government at present does not impose restrictions on Peruvian or foreign companies to convert Peruvian Soles to United States dollars. Nonetheless, there are no guarantees that in the future, the Peruvian Government might establish a restrictive exchange control policy. These exchange restrictions that the Peruvian government could establish might preclude or limit free access by GMEXICO to the United States dollars it requires in order to fulfill its obligations expressed in United States dollars.

#### *Certain factors related to operations*

##### *Dependency on key personnel*

GMEXICO and its subsidiaries' operations depend in a material way on the effort and capability of their principal executives. The loss of the services of any of them might have adverse effects on GMEXICO operations. See "Administration".

##### *Work Force*

As of December 31, 1999 and June 30, 2000, approximately 50% of GMEXICO's work force were members of a union of workers. GMEXICO has occasionally faced labor unease in its mining and railroad division, nonetheless, the company's management considers that its relations with its workers are good. In the history of GMEXICO, there have been strikes and interruptions due to labor matters, it is expected, however, that in the future they will not materially affect GMEXICO's financial situation. See "g) Human Resources".

##### *Mining Division*

The business of mining, smelting and refining copper, zinc, and other metals is generally subject to a number of risks, including industrial accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory scope, environmental hazards, as well as weather and other natural phenomena such as earthquakes. Such occurrences could result in damage to or destruction of mining properties or production facilities, injuries or casualties, environmental pollution, extraction delays, and monetary losses. GMEXICO maintains insurance coverage against risks that are typical in the mining industry in Mexico and abroad in amounts that GMEXICO has generally considered adequate. None of the above mentioned events have affected or are expected to affect the financial position of GMEXICO.

##### *Volatility on metals prices*

GMEXICO's metallic products are considered internationally traded commodities. Prices are established in the two largest metal exchanges, Comex in New York and LME in London, which widely reflect the world supply and demand balance. The profitability of GMEXICO's operations depends on the price, but basically on its cost control and its productivity. GMEXICO's financial performance is significantly affected by the international market prices of the metals it produces, especially of copper, zinc, and silver. Historically, metal prices have been subject to large fluctuations and are affected by a number of factors beyond GMEXICO's control. These factors, that affect each product in various degrees, include international economical and political conditions, supply and demand levels, substitutes availability and costs, inventory levels maintained by producers and others, and, to a lesser degree, retaining of inventories and foreign currency changes. In addition, the market prices of certain metals have occasionally been subject to sudden changes due to speculative activities. Copper prices have had a decrease trend since the middle of 1997. Copper market price continued to decline until the end of 1999. Currently, an important rise has been noted as a result of a significant recovery in the economy of Asian countries, mainly Japan, which has strengthened the demand of industrial metals. See "Market Information and Competitive Advantage - 3. Metals Prices and Tariffs."

### ***Environmental Regulations***

The mining industry and the railroad service are subject to environmental regulations with federal, state and municipal competence, as well as to certain parameters and technical specifications that are used as standards by the regulatory authorities for the protection and remediation of the environment. The environmental regulations both in Mexico and in Peru, and the United States, have become more stringent with the compliance of matters related to the prevention and remediation of the environment by all industries in general, but more significantly by the mining industry. The management considers that all of the mining and railroad facilities of GMEXICO comply with the requirements of the present applicable environmental regulations. There is no certainty, however, that new laws or regulations in the future will not be more demanding or have a material effect on GMEXICO's operations. See "(i) *Judicial or Arbitration Proceedings*".

### ***Copper price risk***

GMEXICO's exposure to fluctuations of prices of the products it trades is related basically to copper, which represented in 1998 45%, in 1999 45% and in the first six months of 2000, 64% of GMEXICO's sales. Said price may fluctuate widely and is beyond GMEXICO's control. Considering that copper produced by GMEXICO is generally sold at market prevailing prices, GMEXICO's operating results are highly sensitive to such prices. See "*Management Comments and Discussions on Operating Results and Financial Situation of GMEXICO - Commodity Prices.*"

### ***Mining and Railroad Concessions***

GMEXICO operates its mines and mining plants and renders railroad services under concessions granted by the Mexican government. Thereby, mining and railroad operations are subject to the regulations and monitoring of the corresponding government agencies. The existing concessions may be subject to additional conditions, be cancelled under certain circumstances or not renewed at its expiration. See "(f) *Applicable Legislation and Tax Environment*".

### ***Ore reserves***

The proven and probable ore reserves included in this prospectus, were determined using standard evaluation procedures, generally used by the international mining industry. The reserves may not conform to geological, metallurgical or those related to the volume and quality of ore recovered may be below the expected levels. Lower market prices, increased mining cost, reduced recovery rates, or other factors may render proven and probable reserves shown here uneconomic to exploit and they may change during the life of the ore deposit. Therefore, the reserve data is not indicative of future operating results. See "*III. The Company-Business Description- Main Assets Description- Reserves*".

### ***Principal inputs.***

GMEXICO's mining and railroad operating processes require consuming important amounts of some energetic inputs such as diesel for the railroad division and electric power for the mining division, which in general terms are not under GMEXICO's control for their generation and supply. GMEXICO, however, has been evaluating as a short-term project, its involvement in generating electrical power with the purpose of self-supplying of this important input. If the prices of these inputs continue with the rising trend as it has been observed in the last months, they might have a material impact on GMEXICO's operating results. See *IV. Financial Information - Management Comments and Discussions on the Operating Results and Financial Situation of GMEXICO.*

### ***GMEXICO shares granted as collaterals on loans.***

As a result of the acquisition of Asarco, GMEXICO owns through a trust with Banco Internacional, S.A. (BITAL), 110 shares representing 11% of Asarco's stock capital, which were given as collateral on loans received from the Chase Manhattan Bank for the acquisition of Asarco shares. These shares, according to the agreement of pledged shares with BITAL, will be released when the relevant loans have been paid or when commitments have expired, time at which the Chase Manhattan Bank will deliver the shares to the trustee. In July 2000, the \$817 million credit facility was totally pre-paid with resources originated by the sale of Asarco's non-strategic lines of businesses for GMEXICO. See "*Operating Results as of June 30, 2000, Financial Position, Cash Flow and Capital Resources*".

### ***Liabilities to accomplish during the inforce of the loans***



- While these credits are in effect several requirements must be fulfilled, the most important of which are mentioned as follows:
- GMM and its subsidiaries may not incur in any debt, if as a result of this debt, the index of indebtedness to capitalization, determined on a consolidated basis, exceeds 45%.
- Quarterly, GMM stockholders' equity at a consolidated level shall not be lower than Ps. 6,700 million updated as of June, 1995 and as of the date on which they were determined, or lower than Ps.12,000 million updated as of December 1997, and as of the date on which they are determined.
- GMM and its subsidiaries may not incur in any debt, if as a result of this debt, the ratio of interest coverage (the operation profit plus charges on results that did not generate cash expenditure against interests paid for the calculated period) be less than 2.5 to 1.0.
- At no time shall the export collection of the last month be lower than the sum paid to principal and interest of the notes from the previous month at a ratio of 1.5 to 1.0, and at no time shall the average of the monthly export collection for the last three months be lower than the sum paid for the principal and interest of the previous month notes, at a ratio of 2.0 to 1.0.
- On a yearly basis, and starting from the first year of the original issuance of the notes, with respect to the program Secured Export Notes, GMM and its subsidiaries shall not permit the export collection of the last 12 months to be below the level of the lower of the following: U.S.\$ 150 million plus 25% of the principal from any additional issuance of notes or, 30% of the outstanding principal amount payable of all of the notes, including any additional issuance of notes.
- In November of 1999, Asarco entered into a revolving credit agreement and a line of credit for long-term loans with clauses that establish the minimal requirements for consolidated income before interest, tax, depreciation, and amortization expense starting on June 30, 2000 and that limit annual investments in fixed assets to U.S. \$90 million without including SPCC. Those agreements are guaranteed by GMEXICO, which, in turn, must comply with specific financial covenants and acting on or abstaining from obligations.
- Some of SPCC's financing agreements include provisions that limit dividend payments to stockholders. Pursuant to the most restrictive provision, SPCC will be able to pay dividends to its stockholders for an amount equal to 50% of the net earnings of any quarter provided that such dividends are paid on June 30, of the subsequent year, at the latest. In addition, a number of SPCC's financial agreements are guaranteed by certain receivables and by its leaching plant. (SX/EW)

As of June 30, 2000 GMEXICO has met all of the requirements as established in its credit indentures except those resulting from the acquisition of Asarco and the subsequent agreement for an additional debt on June 30, 2000. It did not comply with one of the commitments of generating EBITDA for at least 25 million dollars in Asarco nor comply with the capitalization ratio of GMEXICO of 0.55. These breaches were remedied by receiving a dispensation from the banks and principal investors in these credits, in the month of July 2000. Likewise, on December 31, 1999 it met two of the minimum qualifications as established by the Secured Export Notes on the part of the qualifying agency Standard and Poors. As a result of this breach, GMM paid U.S.\$1, 443 thousand dollars as a commission to obtain the aforesaid dispensation.

#### ***Increase in GMEXICO's leverage level***

As a result of the acquisition of 100% of the shares representing the stock capital of Asarco, GMEXICO incurred, during November 1999, an additional debt of approximately U.S.\$917 million and U.S.\$1,160 million of existing debt in Asarco. The new debt was reduced by U.S.\$ 492 millions in January, 2000, in June, 2000 by U.S.\$211 million and in July, 2000 by U.S.\$70 million, as a result of the selling of the specialty chemical and aggregated business segment, as well as the monetization of Asarco's option on GMEXICO's Shares in the amount of U.S.\$73 million, respectively. GMEXICO expects to be able to continue with its program to reduce its debt until it reaches an adequate leverage level through the selling of other assets corresponding to operations that are not part of its main activities. See *Financial Information - 3) Information on Relevant Credits*

#### ***Interest rate Risk***

GMEXICO's exposure to interest rate risks is related firstly to its liabilities. GMEXICO's policy consists of managing its interest rate risk through a combination of fixed and variable rates. At present, all its liabilities are expressed in dollars, which exposes GMEXICO to risks associated with modifications on the exchange rates. Currently, two-thirds of its liabilities are based on fixed rates, while the remaining balance is based on variable rates. See "IV Financial Information - iv) Other relevant matters"

#### ***Railroad division***

The railroad business is subject to a number of risks, including industrial accidents, labor disputes, changes in the environmental regulations, weather and other natural phenomena such as earthquakes. Such events could result in damage or destruction of rails, engines or cars, personnel injury or casualties, environmental damage and delays and monetary loss. GMEXICO maintains insurance against typical risks in the railroad business in Mexico in amounts that GMEXICO has generally considered adequate and in compliance with the corresponding law and its concessions.

#### ***Privatization of the Mexican railroads.***

With the purpose of updating the national railroad system, in 1994, the Federal Government decided to reorganize and privatize the national railroad system operated by Ferrocarriles Nacionales de México as of that date. Toward that end, in 1995 Article 28 of the Mexican Constitution was amended to permit the participation of the private sector. Following approval of this constitutional amendment, the Law Regulating the Railroad Service (the "Law") was enacted to establish the main regulatory framework for the railroad industry. In September 1996, the Railroad Service Regulations (the "Regulations") were published. These Railroad Regulations include details of the different operating aspects outlined in the Law. In July 1995, the Interministerial Desincorporation Commission (Comisión Intersecretarial de Desincorporación) approved and initiated the plan to reorganize the railroad system, as described below and the Ministry of Communications and Transport (Secretaría de Comunicaciones y Transportes or "SCT") was given the capacity to manage and enforce the Railroad Law and the Railroad Regulation. The privatization plan contemplated the reorganization of the existing system into five business units corresponding to the concessions of the five main route trunk lines into which the system is divided, which were to be granted to the bidders winning the public auctions. The business units refer to the operating trunk and branch lines serving the country's main corridors: the North Pacific Railroad (FPN), the Northeast Railroad (TFM), the Southeast Railroad, the Chihuahua Pacific Short Line Railroad, the latter was only a concession and is also known as the Ojinaga Topolobampo Short Line, and the Railroad Terminal of the Valley of Mexico, which has the concession of the terminal of Mexico City. The assets and concessions representing each of the business units were contributed to the new companies. Whereas as of the date of the bidding of the railroad lines, no official operating and financial information in order to compare present to future operating results is provided. Therefore, the financial information and operating statistics cannot be compared to information prior to February 18, 1998.

#### **5) Sources of Information and Expert's Opinions**

GMEXICO is a company that quotes its Series "B" shares in the BMV, and therefore, the financial information related to its activities is completely and timely published pursuant to the CNBV standards. GMEXICO consolidated financial statements which are filed with the BMV, as well as those which are filed in this prospectus for the fiscal years ending on December 31, 1997, 1998 and 1999, have been audited by Arthur Andersen. Considering the authority said firm of accountants has in its expert accounting and auditing capacity to issue such reports.

Considering that the commodities produced and traded by GMEXICO participate in international markets, there are analysis and studies available from national and international entities that publish statistics related to the production, trade and financial assessment of mining companies around the world, which GMEXICO uses to show in this prospect some of the statements regarding its standing in the mining industry.

With respect to the world classification of GMEXICO's costs of metal production, the specialized mining publication used is CRU International Limited (Copper Smelter and Refinery Cost - 1999 Edition).

The aforementioned publications are available to any stockholder participating in this offer, through a written request to GMEXICO's office, located at Baja California 200, Colonia Roma Sur, floor 9, Delegación Cuauhtemoc, C.P. 06760, México, D. F., attention C.P. Ernesto Durán Trinidad.

No person or entity has been contracted to issue any opinion related to the accuracy of the terms of the Purchase and Reciprocal Subscription Offer, addressed to all of GMEXICO stockholders and such opinion will not be prepared or delivered.

#### 6) Other Securities Registered in the RNVI

GMEXICO has registered with the RNVI, the following securities:

1. In the Security Section, Section "A", its series "B" shares, which are quoted in the BMV under the trade symbol of GMEXICO.
2. In the Security Section, Special Section, on September 26, 1995 GMM undertook the placement of Secured Export Notes up to U.S.\$600 million dollars.
3. In the Security Section, Special Section, on March 31, 1998 GMM undertook the placement of Guaranteed Senior Notes up to U.S.\$500 million dollars.

As of the date of this prospectus and since its registration in the RNVI, GMEXICO has completely and timely filed with the BMV and the CNBV, quarterly reports and information on relevant events according to the forms established by such entities.

#### 7) Documents of a Public Nature.

All of the data presented as part of the application for the Purchase and Reciprocal Subscription Offer with the CNBV and BMV may be consulted by the interested parties at the BMV's domicile, or with the person in charge of relations with GMEXICO investors. See *"Names of Persons with a Relevant Participation in the Offer"*.

#### 8) Names of the Persons with a Relevant Participation in the Offer.

The persons listed below participated in a relevant manner giving their advice and preparing this prospectus related to the Offer of Reciprocal Purchase and Subscription of Shares:

Name	Institution	Title
Germán Larrea Mota Velasco	Grupo México	Chairman
Genaro Larrea Mota Velasco	Grupo México	Director
Juan Sánchez Navarro Peón	Grupo México	Director
Rómulo O'Farril Jr.	Grupo México	Director
Prudencio López Martínez	Grupo México	Director
Juan I. Gallardo Thurlow	Grupo México	Director
Claudio X. González	Grupo México	Director
Carlos Girón Peltier	Grupo México	Director
José Mendoza Fernández	Grupo México	Director
Agustín Santamarina Vázquez	Grupo México	Secretary
Rolando Vega Iñiguez	Grupo México	Statutory auditor
Casa de Bolsa Santander Mexicano, S.A. de C.V.		
Grupo Financiero Santander Mexicano	Financial Advisor	
Santamarina y Steta, S.C.	Legal Advisor	
Chávez Ruiz Zamarripa y Cía., S.C.	Fiscal/Tax Advisor	
Ruiz Urquiza y Cía., S.C.	External Auditor	

#### Person in charge of relations with GMEXICO investors:

Jesús Eduardo González Félix  
Subdirector of Relations with Investors  
Av. Baja California 200 - 7º. Piso.  
Colonia Roma-Sur

Deleg. Cuauhtemoc C.P. 06760  
México, D.F.  
Tels. 52-64-0036-ext. 7205  
55-74-84-22  
Email:blperezr@gmexico.com.mx

**Person in charge of physically gathering GMEXICO shares:**

Alejandro Hernández Adams  
Capital Market Manager  
Av. Baja California 200 - 7º. Piso.  
Colonia Roma-Sur  
Deleg. Cuauhtémoc C.P. 06760  
México, D.F.  
Tels. 52-64-0036-ext. 7070  
Email:alhernandez@gmexico.com.mx

**Person in charge of providing information to, holders of GMEXICO's shares:**

Ernesto Durán Trinidad  
Corporate Controller Director  
Av. Baja California 200-9º. Piso  
Col. Roma Sur  
Deleg. Cuauhtémoc C.P. 06760  
México, D.F.  
Tels. 55.64.74.70  
Fax. 55.64.76.70  
E-mail: edurant@gmexico.com.mx

## II. THE OFFER

### Purpose of the Reciprocal Purchase and Subscription Offer

The present Reciprocal Purchase and Subscription Offer is part of the process to reorganize the corporate structure that GMEXICO has started with the purpose of internationalizing its mining activities, through the acquisition of foreign companies that undertake mining activities, as well as its future intention of listing the securities of the companies related to mining in the international markets.

### Interests of Certain Persons in the Exchange Offer

The holders of the 225,313 Series B, Class II Shares which are part of the variable equity of GMEXICO, at the time of exchanging GMEXICO shares for NGMEXICO shares, will become a part of the fixed interest of NGMEXICO stock capital.

#### 1) **Public Purchasing Offer of GMEXICO's Shares**

The present Offer is addressed to all of the current stockholders of GMEXICO.

NGMEXICO offers to buy to the current stockholders of GMEXICO within the period of 28<sup>th</sup> day of September, 2000 to 12<sup>th</sup> day of October, 2000 up to 630,225,312 the Series "B" Shares representing 100% of GMEXICO subscribed and paid capital stock at a price of \$36.85, subject to the condition of simultaneously applying the sales price, as settlement to pay the subscription price of the nominative, common Series "B" shares of NGMEXICO without expressing par value at the price of \$36.85. In the understanding that pursuant to writ No. 325-SAT-433 issued by the SHCP on May 19, 2000 and by the CNBV through writ DGIB-854/45270, GMEXICO stockholders who are legal persons residents of Mexico will have to conduct the exchange operation outside the stock market, at the average fiscal cost of the shares. Pursuant to the aforementioned writ of the SHCP said legal persons residents of Mexico, shall file a fiscal opinion before the SHCP issued by a Public Accountant registered with the tax authorities, same which must be presented at Grupo México, S.A. de C.V. at the latest on October 30, 2000 in order for it to be able to file it with said authorities.

For each of GMEXICO's shares that stockholders sell in the Offer they will have the right to receive one share of NGMEXICO.

The present stockholders of GMEXICO who wish to tender in the Offer and who maintain the custody of their shares in brokerage houses or banks, should, during the period of the Offer, instruct their respective dealer to the sales of their GMEXICO's shares and simultaneously apply the sales price of GMEXICO's shares to the acquisition of NGMEXICO's shares.

The persons who physically hold the stock of GMEXICO shares and who wish to tender in the Offer, must file them at the brokerage house or bank of their choice or at GMEXICO's offices at Baja California 200, 8<sup>o</sup> Piso, Col. Roma Sur, Delegación Cuauhtémoc, México, D.F. from September 28, 2000 to October 12, 2000.

The acceptance of the public purchasing offer and reciprocal subscription, through the delivery or transfer of GMEXICO shares to account No. 0604 at S.D. Indeval, under the aforementioned terms are considered irrevocable. Consequently, once the transfer has been made, the offered shares will not be able to be withdrawn from said account.

Legal entities who reside in Mexico must conduct this operation outside of the stock market at the average fiscal cost per share of the shares object of the sale issued by GMEXICO, to the effect of preserving as the fiscal cost of NGMEXICO's shares, the same price their GMEXICO shares had, in the terms of Writ No. 330-SAT-IV-C-1182/2000, issued on April 14, 2000 by Sistema de Administración Tributaria "SAT" (Internal Revenue Administration System).

The operations with natural persons will take place through the BMV.

GMEXICO shareholders will receive payment of the dividend corresponding to voucher 7, which was approved by the General Ordinary Stockholders Meeting held on April 28, 2000. Said dividend will be paid on December 20.

**Characteristics of the Reciprocal Purchase Offer**

Buyer: Nueva G. México, S.A. de C.V.

Number of shares tendered: 630,225,312 series "B" shares of Grupo México, S.A. de C.V.

Equity Percentage to be repurchased: up to all except one of the shares of the capital stock of Grupo México, S.A. de C.V.

Buying Price for Natural Persons: Ps.\$36.85

Trading Symbol: GMEXICO

Total Amount of the Offer: Ps.\$23,223'802,744.20

Period of the Offer: From September 28, 2000 to October 12, 2000.

Capital Stock: As of the date of the Period of the Offer, the total capital stock of GMEXICO is in the amount of Ps 2,950,609 thousand pesos, represented by 630,000,000 shares subscribed and contributed corresponding to the Series B, Class I and representing the fixed portion of the stock capital, and 225,313 shares subscribed and contributed representing the variable portion of the capital, pursuant to the resolutions of the Extraordinary Stockholders General Meeting held on April 28, 2000

Intermediary Dealer: Casa de Bolsa Santander Mexicano, S.A. de C.V., Grupo Financiero Santander Mexicano.

**2) Primary Public Subscription Offer**

GMEXICO stockholders are offered to tender in the Repurchase-Selling Public Offer of GMEXICO shares, reciprocity and compensation in payment up to 630,225,312 series "B" shares, representing NGMEXICO's capital stock. The price at which NGMEXICO shares can be subscribed, within the tender period set forth, will be Ps \$36.25 (Thirty Six Eighty Five Pesos 00/100 M.P.) per share for natural persons and of its fiscal cost for legal persons.

The total amount of the subscription Offer is in the amount of Ps. 23,223'802,747.20 (Twenty Three Billion Two Hundred Twenty Three Million Eight Hundred Two Thousand Seven Hundred Forty Seven Pesos 20/100 M.Ps.)

The placement period will be from September 28 to October 12, 2000 and the settlement of the operation will take place on October 16, 2000.

**Characteristics of the Public Subscription Offer:**

Issuer: Nueva G. México, S.A. de C.V.

Type of Offer: Primary.

Shares Offered: Up to 630,225,312 Series "B" Shares.

Equity Percentage Offered: 99.9603% upon completion of the Reciprocal Offer.

Subscription Price: \$36.85 for natural persons and at the average fiscal cost of GMEXICO shares that will be exchanged for each and



every of the legal persons residents of Mexico that accept the Offer

Amount of the Offer \$23,223'802,747.20

Trading Symbol: NGMEXIC

BMV Registration Date: October 12, 2000.

Settlement Date October 16, 2000

Listing: The securities object of this offer will be quoted in the Bolsa Mexicana de Valores, S.A. de C.V.

Structure of capital stock before the Offer:

Shareholder	Number of Shares	Number of shares after the split <sup>1</sup>	Series	Class	%
Mr. Germán Larrea Mota Velasco	25,000	125,000	"B"	I	50%
Mr. Genaro Larrea Mota Velasco	25,000	125,000	"B"	I	50%
<b>TOTAL:</b>	<b>50,000</b>	<b>250,000*</b>			<b>100%</b>

\* common, nominative shares, with out par value

Structure of Capital Stock after the Offer:

	Number of Shares	Par Value	Capital Stock
NGMEXICO's shareholders	250,000	0.20	50,000.00
Increase of capital stock , which purpose if the present Offer. <sup>2</sup>	630,225,313	0.20	126'045,062.60
Capital increase to be maintain at the treasury, pending subscription and payment for future projects. <sup>3</sup>	69'774,687	0.20	13'954,937.00
<b>TOTAL OF CAPITAL</b>	<b>700'250,000</b>	<b>0.20</b>	<b>140'050,000.00</b>

The NGMEXICO's shares will be offered for suscription and payments to the GMEXICO's shareholders, to the following value:

1. To the legal persons residents of Mexico, to the price for the acquisition of their shares and subscription of Nueva G. México, S.A. de C.V. shares will be the Average of the Fiscal Cost.

<sup>1</sup> By means of a Extraordinary Shareholders Meeting executed on September 12, 2000, it was agreed to carry out an inverse split of the 50,000 shares representing NGMEXICO's minimum fixed capital stock, at a ratio of five new shares for each share representative of the same

<sup>2</sup> Capital increase that was approved by means of a Extraordinary Shareholders Meeting dated September 12, 2000.

<sup>3</sup> Capital increase that was approved by means of a Extraordinary Shareholders Meeting dated September 12, 2000.

2. To the natural personas resident in Mexico, common investment companies and residents abroad, the quotation value, that at the date of exchange have the shares representative of GMEXICO's capital stock.

As a consequence the exceeding between the value of the capital stock in its variable part and the total subscription value, will be considered as the value for the subscription of the shares representative of GMEXICO's capital stock.

Conditions of the Offer:

GMEXICO shareholders who wish to tender in the public purchase offer must assign the total amount of the resources obtained from the selling of their GMEXICO shares to pay for the shares issued by Nueva G. México, S.A. de C. V.

Each share of GMEXICO will be exchanged for one share of NGMEXICO.

When the interchange period has expired and once the safe-keeping of the investors' interests and those of the general market have been accredited, an application to cancel the registration of shares representing the stock capital of GMEXICO will be filed with the Securities Section of the National Registry of Securities and Brokers of the CNBV, so that these shares stop being quoted at the BMV.

Possible Acquirers

GMEXICO shareholders participating in the Reciprocal Offer of Purchase and Subscription will be the only ones who may tender in the Primary Offer of the shares.

The series "B" shares issued by NGMEXICO, will only be acquired or subscribed by natural or legal persons with Mexican or Non-Mexican citizenship.

At least 51% shall at all times be subscribed by individuals or corporations as mexican investors in accordance with the Foreign Investment Law and its regulations, and, in any case, no more than 49% of said shares may be subscribed to or acquired freely or indistinctly by Mexican Foreign Investors.

Notwithstanding , that the corporate by-laws of GMEXICO actually provide the limit mentioned on paragraph above, it is its intention to, previous the obtention of the authorization of the Foreign Investment National Commission, an amendment to the corresponding article of the corporate by-laws is to be approved in the next Shareholders Meeting in order to eliminate such limit.

Once the settlement period is concluded and the interest of the public inversionist have been and of the market in general has been evidenced, the cancelation of the Registry of GMEXICO shares in the RNVF of the CNBV will be requested with the purpose of those shares to stop being quoted in the BMV.

3) Tax Effects on the Reciprocal Purchasing and Subscription Offer.



Pursuant to writ No. 330-SAT-IV-C 1182/2000 issued by the Administración Central Jurídica de Grandes Contribuyentes, (Central Juridical Administration of Large Tax Payers) under the control of Servicio de Administración Tributaria "SAT" from the SHCP, dated on April 14, 2000, through which Grupo México, S.A. de C.V.'s stockholders that are companies resident of Mexico or foreign resident companies permanently established in Mexico, other than investment companies, are authorized to exchange their GMEXICO shares for NGMEXICO shares with the understanding they do so due to the corporate reorganization in which the contracting parties belong to a same beneficial interest, being realized at their average fiscal cost without the authorities enforcement of their capacities of assumption of income under the following regulations:

- I. The average cost per share of the shares object of the sale will be determined on the date of disposal, pursuant to articles 19 and 19-A of the ISR Law making distinction thereof by the seller.
- II. The percentage representing the number of shares received by the selling Stockholders, legal persons residents of Mexico and legal foreign resident persons permanently established in Mexico, other than investment companies of NGMEXICO's, representing the subscribed and paid capital stock with GMEXICO's shares, should be the same they had before such selling, based on NGMEXICO and GMEXICO's consolidated financial statements, detailing the basis on which the shares value was determined, related to the total value of the same.
- III. In the minutes of the meeting to be registered by reason of the aforementioned sale, the following will be attested:
  - a) The number of shares sold, establishing the average cost per share corresponding thereto, as well as the total amount of such cost corresponding to each and every one of the shares disposed of.
  - b) The number of shares representing NGMEXICO capital stock received by each seller as a consequence of the subscription and the capital contribution, specifying that for all legal effects of Articles 19 and 19A of the ISR Law, the proven acquisition cost of such shares will be the result of dividing the total average cost per share corresponding to each seller referred to in the previous paragraph, into the number of shares received as a consequence of the subscription and contribution of capital, and as of the date of acquisition, that of the subscription and contribution of capital of NGMEXICO.
- IV. GMEXICO must submit to the "Administración Central de Fiscalización a Empresas que Consolidan Fiscalmente y Sector Financiero" (Central Tax Administration Regulating Tax Consolidating Companies and Financial Sector), within the subsequent thirty days of the date on which the referred operation is executed, an expert opinion prepared by registered public accountant and filed before the tax regulating authorities, which should satisfy the requirements provided in article 126 of the Regulations of the IRS Law, except those established in sections I and II, paragraph e) and in the last two paragraphs of said article, as well as the financial statements, basis, and copy of the minute entry of the meeting mentioned in this opinion.

Pursuant to the authorization issued by the SHCP, a breach of any of the requirements and obligations on which the present resolution is founded will result in its invalidity, the Servicio de Administración Tributaria "SAT" maintaining its verifying capacity set forth in Article 42 and other relevant articles of the Código Fiscal de la Federación (the Federation Fiscal Code).

The persons showing interest in obtaining additional information with respect to the official communication issued by the SHCP can make a written request thereof to GMEXICO's main offices, located at Baja California No. 200, Colonia Roma Sur, piso 9 Delegación Cuauhtémoc, C.P. 06760, México, D. F., attention Ernesto Durán Trinidad, P.A.

4) **Information on the Stock Market**

The behavior of GMEXICO's shares for the following years is shown below:

GMEXICO'S Series B and L (A) shares, for the last five years:

Year	Higher Price	Lower Price	Last Price	Annual Average Volume
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SERIES B CLASS I SHARES

1995	36.70	14.10	32.60	1,078,798
1996	36.00	20.75	24.40	664,071
1997	34.70	24.40	30.00	511,340
1998	30.00	16.80	26.00	242,889
1999	48.50	19.00	46.95	402,586

**SERIES L CLASS I (A) SHARES**

1995	27.00	24.00	27.00	5,000
1996	18.00	17.14	18.00	50,000
1997	28.20	17.74	25.50	1,441,294
1998	27.95	20.10	27.80	634,685
1999	-	-	-	-

GMEXICO'S Series B and L (A) shares, quarterly for the last two years:

Year	Quarter	Higher Price	Lower Price	Last Price	Annual Average Volume
<b>SERIES B CLASS I SHARES</b>					
1998	FIRST	30.00	25.00	27.80	333,195
	SECOND	28.90	21.70	24.65	228,764
	THIRD	26.30	16.80	26.00	252,032
	FOURTH	26.30	21.70	26.00	211,178
1999	FIRST	32.60	19.00	32.35	264,951
	SECOND	40.95	29.55	40.05	655,774
	THIRD	48.50	35.10	38.30	382,859
	FOURTH	47.45	31.30	46.95	354,406
2000	FIRST	57.50	42.00	43.40	462,712
	SECOND	45.75	26.75	27.70	297,545
	* THIRD	39.00	28.42	36.10	533,806

\*as of July 31

**SERIES L CLASS I (A) SHARES**

1998	FIRST	26.00	20.10	26.00	873,951
	SECOND	27.95	25.00	27.80	209,322
	THIRD	-	-	-	-
	FOURTH	-	-	-	-

GMEXICO'S Series B shares, monthly for the last ten months:

Year	Month	Higher Price	Lower Price	Last Price	Annual Average Volume
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1999	October	39.00	31.30	34.80	281,810
	November	40.50	34.00	39.60	305,524
	December	46.95	36.80	46.95	470,318
2000	January	57.50	44.50	52.10	551,810
	February	54.90	44.30	46.50	483,286
	March	48.70	42.50	43.40	356,500
	April	45.75	34.60	38.40	234,691
	May	43.50	30.50	32.75	286,071
	June	35.25	26.75	27.70	359,924
	July	39.00	28.42	36.10	533,806

**(A) Cancellation of GMEXICO series "L" shares with restricted voting rights:**

On April 28, 1998, GMEXICO held a Special Series "L" Stockholders Meeting and a General Extraordinary Meeting, in which the following issues were unanimously approved :

(1) Approval to cancel 39,118,899 Series "L" shares with restricted voting rights and other limited corporate rights, without par value, representing the fixed part of the capital stock, and, consequently, the reduction of the capital stock corresponding to these shares in the amount of Ps. 183,148,113.00.

(2) The exchange of 75,889,223 Series "L" shares that GMEXICO had repurchase under the own shares acquisition program under the terms of Article 14 Bis, of the Stock Exchange Market Law and Article Eight of the by-laws, for the Series "B" common shares, with full voting right, realizing such exchange evenly, this is to say, at a ratio of one share per one share, so that the stock capital would be exclusively represented by Series "B" common shares.

As a result of the cancellation of Series "L" shares and of the 929,836 Series "B" shares pending to be subscribed, GMEXICO capital stock was represented by a total of 650,000,000 common and ordinary Series "B" shares, without par value, representing the fixed part of the stock capital, with full voting rights.

As a result of the resolutions of the aforesaid Stockholders Meetings, the GMEXICO Series "L" shares with limited voting rights, according to the last INDEVAL list, were de-listed from the RNVI on May 27, 1998.

With regard to the number of stockholders registered in GMEXICO's books, they represent a number of 714 pursuant to the entry of the minutes of the General Ordinary Stockholders Meeting held on April 28, 2000.

***Suspension of GMEXICO shares:***

On May 4, 2000, the BMV suspended the quotation of GMEXICO shares, since said quotation exceeded the security parameters set forth by the BMV (a quotation increase above 15%). That same day GMEXICO issued a communication to the investors community (Relevant Event), through which it represented that the company had no knowledge of an event that could have provoked such increase on the share quotation, thereby the BMV reactivated the GMEXICO share quotation.

***Negotiability of GMEXICO's Share for the last 3 years and for the first six months of the year 2000:***

1997	8.2300
1998	7.7125
1999	8.0974

For the last seven months of the year 2000

January	8.2650
February	8.2710
March	8.0490
April	7.8870

May	7.8760
June	7.8760
July	7.6540

It is noteworthy that GMEXICO share has been considered highly negotiable by the BMV, therefore it has deserved the high negotiability award yearly granted by the BMV.

### III. THE COMPANY

#### 1. Historical Background and Development of the Issuer

##### *Mining Division*

The origins of GMM can be traced to the early 1900s when the American Smelting and Refining Company, which later changed its name to Asarco Incorporated, expanded its mining operations into Mexico and developed the Santa Eulalia mine and the Chihuahua smelter through a wholly-owned subsidiary, Compañía Minera Asarco, S.A. In 1965, following a change in the Mexican law imposing restrictions on foreign ownership of mining companies, Compañía Minera Asarco, S.A. was reorganized, and several Mexican investors acquired a majority ownership of the stockholders equity of the company. In 1974, as a result of further restrictions on foreign ownership of mining companies in Mexico, Asarco sold part of its ownership and reduced its interest to 34%, and the company changed its name to Asarco Mexicana, S.A. In 1978 the Larrea family acquired a majority ownership of Asarco Mexicana, changing its name to Industrial Minera México, S.A. México Desarrollo Industrial Minero, S.A. de C.V. (Grupo Minero México, S.A. de C.V., today) was incorporated as a holding company for IMMSA. Subsequently, Asarco exchanged its ownership interest in IMMSA for shares representing Medimsa stockholders equity (38%). In 1978, Grupo Industrial Minera México, S.A. de C.V. "GIMMEX" was formed as a holding company for Medimsa. In 1994, as part of a reorganization of the structure of the group the present GMEXICO was incorporated which through an exchange of shares became Medimsa holding company. Later, GMEXICO merged with GIMMEX, with GMEXICO remaining as a merging company. In Asarco's reorganization operation it exchanged its ownership interest in Medimsa for a 26.0% interest in GMEXICO. GMEXICO continues to have an interest of 98.84% in Medimsa, GMM today. In October 1997, Medimsa change its name to Grupo Minero México, S.A. de C.V. (GMM).

In 1997, as a result of the disincorporation of the railroad system in the country, GMEXICO acquired through a public bid the concessions to operate the North-Pacific and Ojinaga-Topolobampo railroads through GFM, company in which GMEXICO has an interest of 74%.

In September 1999, GMEXICO through Asmex Corp., its wholly-owned Northamerican subsidiary, conducted a public purchase offer in the United States for 100% of Asarco's common shares at a price of U.S.\$ 29.75 per share. This process concluded with the signing of a merging agreement by and between Asmex Corp. and Asarco on October 25, 1999, which occurred on November 17, 1999 and in this manner GMEXICO culminated the purchasing of Asarco incorporating it as a subsidiary and consolidating from that date Asarco's results.

GMEXICO main subsidiaries are described below:

Name	Place of Incorporation	Interest %
Grupo Minero México, S.A. de C.V.	México	98.9
Grupo Ferroviario Mexicano, S.A. de C.V.	México	74.0
Asarco Incorporated y Subsidiarias	U.S.A.	100.0

##### **Principal Mining Operating Subsidiaries:**

Mexcobre was incorporated in 1968 and it obtained a licence granted by the Mexican Federal Government to explore La Caridad mine. Exploitation of the mine started in 1979, being Mexcobre under the joint control of Nafin, the Comisión de Fomento Minero (Commission of Mining Support) a decentralized government agency and Fidenome, (Fomento Industrial del Norte de México, S.A. de C.V.) a company owned by a group of Mexican investors, including members of the Larrea family. By 1988, primarily as a result of cost overruns associated with a new smelter and construction delays, Mexcobre was unable to meet its financial obligations. In 1988, Fidenome transferred its Mexcobre shares to a trust in preparation for the financial reorganization and subsequent sale of the company by the Mexican government to the private sector. In November 1988, Medimsa acquired 91% of Mexcobre shares through a public auction at a purchase price of approximately U.S.\$ 680 million. The remaining 9% continued to be held by minority stockholders of Fidenome and Mexcobre.

Cananea is the owner of the Cananea mine which is the oldest continuously operated copper mine in North America, with operations tracing back to 1899. The mine was acquired by the Anaconda Company ("Anaconda") in 1917 and mined exclusively for underground metals until the early 1940s, when the first open pit was developed. Anaconda sold 51% of the Compañía Minera de Cananea, S.A. to Nafin in 1971 and transferred its remaining interest to Nafin in 1982. Two attempts to sell the company in 1988 failed, and a strike in 1989 precipitated bankruptcy proceedings. In 1990, through a public auction procedure, Mexcobre acquired from the receivership 100% of the assets at approximately US\$475 million.

IMMSA/MIMENOSA are GMEXICO's companies that have been operating mines the longest. The mining operations of the IMMSA and MIMENOSA Units consist of seven underground mines located in central and northern Mexico, where zinc, copper, lead, silver and gold are produced, including the San Martin mine which is the largest underground mine in Mexico and Las Charcas, which is Mexico's largest producer of zinc. The IMMSA Unit also operates an electrolytical zinc refinery and a copper smelter both located in the State of San Luis Potosí, as well as coal mines and a coke plant to provide a portion of the energy requirements of its processing plants located in the State of Coahuila.

Asarco is one of the leading copper producers in the world. In 1999, Asarco's participation in copper production amounted to 1.0 billion pounds or 4.9% of the copper mineral production in the Western World. Asarco's copper production included operations in the United States of America that represented 65% of its production in 1998, and operations in Peru through its subsidiary called SPCC, with a 54.2% interest in its stock capital. Asarco's operations in the United States include the Mission and Ray mines in Arizona, a copper smelter in Hayden, Arizona; a copper smelter in El Paso, Texas; a copper refinery in Amarillo, Texas; and a lead smelter in East Helena, Montana. The El Paso smelter operations began a three-year suspension in February, 1999. Asarco also holds 49.9% of MRI, a molybdenum mine and a copper mine in Butte, Montana, and a 75% interest in the copper mine in Silver Bell, Arizona. SPCC operations include the Toquepala and Cuajone mines, the Toquepala SX-EW extraction plant, a smelter, a copper and precious metals refinery in Ilo, located in southern Peru.

#### *Integration of Asarco's Operations*

With the acquisition of Asarco, and as a consequence of its almost completed to 100% incorporation to the group operations GMEXICO to increase the number operations in different countries, obtaining a greater potential of new synergies and better parameters to optimize its mine, smelting, refinery and plant operations. An important part of this incorporation is appreciated in the different Board of Directors of foreign companies, Asarco and SPCC since this Board of Directors are comprised in their majority by GMEXICO's directors See "III. THE COMPANY 3) Administration b) Administration and Shareholders".

The programs to reduce costs have started in Asarco and SPCC, which will increase the stockholders security value. GMEXICO plans to reduce costs by 190 million dollars yearly in the year 2002, through a permanent campaign to reduce production costs to Ps.0.47 from Ps. 0.59 cents per pound of copper in 1999.

GMEXICO has identified specific areas on which it has focused its efforts since the acquisition of Asarco, such as:

- Centralization of the purchasing department for GMM, Asarco and SPCC. The aforesaid with the purpose of using more efficiently the purchasing power of all of its inputs, reducing excess inventories and eliminating the duplication of the administrative cost of this function.
- Reducing overheads. Asarco and SPCC's corporate function was eliminated, through the closure of their offices in New York and the reduction of foreign personnel in Peru, materially reducing overheads.
- Reassessment of Asarco's mining plans. Mining studies have been undertaken with the the purpose of planning Asarco's operations in a better manner. This will allow for the adequate rationalization of our mining operations in Asarco and the increase of production in those processes.
- We are engaged in the optimization of concentrate and unfinished metallic product flows at a number of GMEXICO's smelters and refineries, with the purpose of adequately filling the capacities of said facilities. Covering the La Caridad smelter excess capacity with Asarco's smelting deficit is an example of this.



We are currently working on standardizing the management and operating processes using the flow of knowledge among the different operations, adopting the industry's best practices in addition to homologating procedures and communications throughout GMEXICO.

### *Principal Railroad Operators*

In order to modernize its national railroad system, increase the rate of economic growth and contribute to social development the Federal Government decided, in 1994, to restructure and privatize the national railroad system, until then operated by Ferrocarriles Nacionales de México.

The privatization plan considered the reorganization of the existing system into five business units corresponding to the concessions that would be awarded to bidders in public auctions. The business units consisted of three operating trunks and branch lines which serviced the country's main traffic corridors: the Ferrocarril Pacífico Norte, S.A. de C.V., the Ferrocarril del Noreste, S.A. de C.V., the Ferrocarril del Sureste, S.A. de C.V., The Ojinaga-Topolobampo Short Line Railroad, also known as the Chihuahua - Pacific Short Line, the Terminal Ferroviaria del Valle de Mexico, S.A. de C.V. which serves as a facility for handling and receiving freight and classifying, assembling and dispatching of trains. The assets and concessions (licences) of each one of the business units were contributed to incorporate new companies in which the Federal Government kept a majority interest. In addition to the four principal railroad lines, the FNM system also included various short lines, associated rights of passage and other assets. The terms of the bidding for concessions provided that the purchaser of each of the three principal trunk lines would thereby also acquire a 25% interest in the TFVM with the Federal Government retaining a 25% interest therein while concessions and extensions thereof were still in effect.

In April 1997, GMEXICO, Union Pacific, a wholly-owned subsidiary of Union Pacific Corporation, a Utah corporation whose common stock is listed on the New York Exchange, and ICA, the largest constructing company in Mexico, formed a consortium in a public auction bid for Ferrocarril Pacífico Norte, S.A. de C.V. ("FPN") and related assets. GMEXICO participated with a 74% interest and Union Pacific and ICA with 13% each contributing the stock capital of GFM, a Mexican company incorporated to participate in the bid for the acquisition of FPN shares. In June 1997, GFM submitted a bid for acquiring 100% of the shares representative of FPN capital stock, including the concession rights for the Ojinaga - Topolobampo line, and in that same month, the Interministerial Disincorporation Commission issued an award declaring GFM had the winning bid. On August 18, 1997, GFM executed two Stock Purchase Indentures with the Federal Government and with FNM in order to acquire in the aggregate 100% of the shares representing the stock capital of FPN. The purchase price for the shares was \$3,940.9 million. Under the Stock Purchase Indenture GFM committed itself to list at least 20% of the shares representing FPN capital stock on the public market within the subsequent 81 months after the date of the Stock Purchase-Sale Indentures. GMEXICO expects to meet the GFM commitment during the period ending in the year 2003.

## **2) Business Description**

### **a) Main Activity**

GMEXICO is a holding company and all of its operations are performed through three subsidiaries where mining and railroad operations are grouped. GMM is a subholding company which groups mining operations in Mexico. GFM is a subholding company that wholly-owns Ferromex which operates the railroad division and Asarco is a subholding company that groups mining operations in the United States and Peru.

GMEXICO is Mexico's leading mining company in copper production and the third most significant in the world. Since February 1998, GMEXICO has been operating the most extensive railroad in the country. Its consolidated net sales in 1999 accounted for \$18,079.0 million in constant pesos and its total assets are in the amount of Ps.89,786.5 million as of December 31, 1999. Its main business line is mining which includes processing copper, zinc, silver, gold, lead and molybdenum.

Of GMEXICO Mining Division's consolidated net sales in 1999, 65.8% was from the sales of copper rod, copper cathodes, and copper blister, 14.0% was from sales of zinc, 8.9% was from sales of silver and the balance was from sales of gold, lead, and other metals and by-products and from metal trading activities. Likewise, GMEXICO consolidated Ps.2,246.5 million for Asarco sales during the 44 days of the year it operated as its subsidiary. In 1999, GMEXICO produced and sold 497,057 metric tons of copper, 152,984 metric tons of zinc, 662 metric tons of silver,

2,127 kilograms of gold, 8,089 tons of molybdenum, and 53,235 metric tons of lead. Export sales represented 50% of GMEXICO net sales in 1999, and, substantially all of GMEXICO's revenues are derived from the sale of its metals in transactions expressed in United States dollars.

GMEXICO is among the lowest-cost copper producers in the world *See I. General Information 5) Sources of Information and Experts Opinions* and it has substantial ore reserves. With reference to the railroad division, revenues of Ps.5,255.8 million pesos were obtained during 1999, which represented 28.1% of the total net sales.

Until November 1999, all the mining and metallurgic operations of GMEXICO, as well as its extensive exploration activities were located in Mexico. Since the acquisition of Asarco, these activities have expanded to the United States and Peru. The combined operations of GMEXICO have integrated a first level international mining group that is consolidating worldwide as the third copper and silver producer and the fifth producer of zinc and molybdenum. GMEXICO also has important low-cost ore reserves, expanding its average life and achieving a greater flexibility in the rationalization of its operations as well as developing its additional production capacity.

### Strategy

GMEXICO seeks to maximize its profitability and to strengthen its position as the major global mining company through improved productivity of its operations, increased vertical integration of its mining and processing facilities; diversification and expansion of its markets; and investments in strategic acquisitions. Maintaining its strategy through the current decline in copper prices that began in 1997 has permitted GMEXICO to continue to be considered as one of the lowest-cost copper producers in the market, as well as the most efficient railroad operator in Mexico. Key elements of this strategy include the following:

(i) *Improved productivity of mining and processing operations*

GMEXICO seeks to further reduce its costs of production through:

**Updating of mining and processing facilities:** Since 1992 GMEXICO has invested more than Ps.12,393.2 million in capital projects designed to update GMEXICO's facilities in Mexico, increase its productivity and improve the quality of its metallic products. These investments include upgrading stripping equipment at the Cananea mine, upgrading and expanding the concentrator and smelter at La Caridad and constructing state-of-the-art copper and precious metals refineries as well as a copper rod plant at La Caridad, which permitted GMEXICO to close the Cananea smelter at the end of 1998 without reducing the volume of copper produced. In addition, GMEXICO has developed modern SX-EW facilities at both La Caridad and Cananea, enabling GMEXICO to use leachable ore that otherwise would be wasted and to reduce significantly its average costs of copper production. GMEXICO's SX-EW facilities, as well as its zinc refinery at San Luis Potosí, have received ISO 9002 certification from the International Standards Organization. GMEXICO has also invested in advanced information technology to improve production process monitoring and in communication equipment to link its operations. At the Immsa Unit, GMEXICO plans to build a new zinc refinery in order to refine all of its own production of zinc concentrates and to update its underground mines. At the Cananea Unit, GMEXICO plans to expand its SX-EW processing capacity in order to increase value added and reduce unitary costs. With respect to the projected investment in Asarco, the most important investment is located at SPCC, at which it is planned to update the smelting process with the purpose of increasing its production capacity and at the same time comply with Peruvian environmental requirements, as well as to expand its Toquepala mining unit.

**Improved labor productivity and further workforce reductions:** GMEXICO seeks to continue to improve labor productivity through incentive systems, worker training and the introduction of new technology. GMEXICO has worked jointly with labor union representatives to implement productivity incentives and streamline work rules, in order to increase its production without increasing its workforce. In early 1999, GMEXICO successfully resolved its most serious labor problem in years, when, after a 82-day strike at the Cananea Unit, its union agreed upon the severance of 1000 union and non-union workers and the accelerated closure of the Cananea smelter.

**Improved operating efficiency through lower consumption of energy, water and supplies:** In recent years, GMEXICO has attained significant operating abilities in its mining units and metallurgical plants through new technology that permits lower energy, water and supply consumption. GMEXICO built a natural-gas pipeline which began in May 1999, to provide Mexcobre Unit with a cleaner and cheaper source of energy. In addition, GMEXICO has installed "expert" computer monitoring systems that improve productivity by coordinating inflows and optimizing the use of energy, water, and spare parts. GMEXICO will continue to seek ways of improving its operating efficiency, particularly by exploring different alternatives to produce or acquire energy at a lower cost.